The Sage Group plc.

Innovating for Growth

Annual Report and Accounts 2024

Sage

Innovating for growth

Sage is a leader in accounting, financial, HR, and payroll technology for small and mid-sized businesses (SMBs), enabling our customers to streamline their operations, make more informed decisions and be more productive.

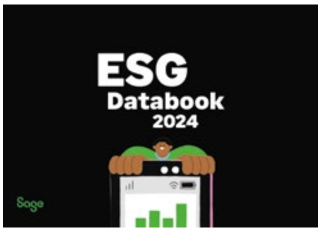
By providing innovative solutions for SMBs, together with consistent strategic execution, Sage is delivering benefits for all our stakeholders—customers, partners, colleagues, society, and shareholders.

Contents

Supplementary reporting

Sustainability and Society Report
Read about how we approach our most material sustainability issues.

Climate Report
Read about the actions we are taking to tackle climate change.



ESG databook
Review information on Sage's sustainability performance in FY24.

Scan or click the QR code for more information

Financial highlights

Our year in numbers

Strategic Report
Governance Report
Financial Statements
Additional Information

Underlying total revenue

£2,332m

(FY23: £2,133m)

Underlying total revenue of £2,332m increased by 9%, driven by broad-based growth in cloud solutions across Sage.

Statutory revenue

£2,332m

(FY23: £2,184m)

Statutory revenue of £2,332m grew by 7%, reflecting underlying growth in all regions partly offset by a foreign exchange headwind.

Underlying operating profit

£529m

(FY23: £438m)

Underlying operating profit grew by 21% to £529m, driven by sales growth and a higher underlying operating profit margin.

Statutory operating profit

£452m

(FY23: £315m)

Statutory operating profit increased by 43% to £452m, reflecting growth in underlying operating profit, lower M&A-related expenses and the non-recurrence of prior year restructuring charges.

Underlying operating profit margin

22.7%

(FY23: 20.5%)

Underlying operating profit margin increased to 22.7%, driven by operating efficiencies and disciplined cost management.

Net cash generated from operating activities

£491m

(FY23: £387m)

Net cash generated from operating activities increased by 27% to £491m, reflecting strong underlying cash conversion.

Underlying basic earnings per share (EPS)

37.9p

(FY23: 30.9p)

Underlying basic EPS increased by 23% to 37.9p.

Dividend

20.45p

(FY23: 19.30p)

Total dividend proposed for the year increased by 6% to 20.45p

About our non-GAAP measures and why we use them

Throughout the Strategic Report, we quote two kinds of non-GAAP measure: underlying and organic. Underlying measures are adjusted to exclude items which in management's judgement need to be disclosed separately by virtue of their size, nature, or frequency to aid understanding of the performance for the year or comparability between periods. Organic measures allow management and investors to understand the like-for-like performance of the business. Prior period underlying and organic measures (revenue and profit) are retranslated at the current year exchange rates to neutralise the effect of currency fluctuations.

Full definitions of underlying and organic can be found within note 2 of the financial statements. Reconciliations of statutory revenue, operating profit and basic EPS to their underlying and organic equivalents are included in the Financial review starting on page 55.

Sage at a glance

What we do

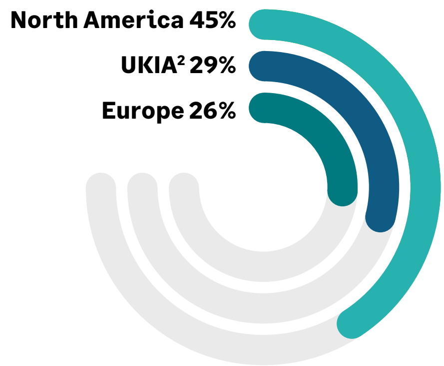
Sage exists to knock down barriers so everyone can thrive, starting with the millions of SMBs served by us, our partners, and accountants. Customers trust our finance, HR, and payroll software to make work and money flow.

How we do it

By digitising business processes and relationships with customers, suppliers, employees, banks, and governments, our digital network connects SMBs, removing friction and delivering insights.

Knocking down barriers also means we use our time, technology and experience to tackle digital inequality, economic inequality and the climate crisis.

Our global reach[1]

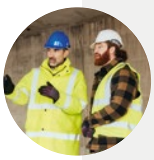


1. Split of total underlying revenue of £2,332m.
2. United Kingdom, Ireland, Africa, and Asia-Pacific.

Our evolved strategic framework for FY25

Our purpose
is to knock down barriers so everyone can thrive.

Our ambition
is to create the world's most trusted, thriving network for SMBs, powered by Sage Copilot.



Our strategy
is to **connect** SMBs through our network, **grow** by winning new customers and delighting existing ones, and **deliver** productivity and insights driven by Artificial Intelligence (AI).

See pages 15 to 21

Our stakeholders

Customers
We build every experience with human insight and ingenuity.

Partners
We work with partners throughout our ecosystem to help deliver our ambition.

Colleagues
We are committed to creating an environment where colleagues feel energised to contribute to the success of SMBs.

Society
We tackle digital inequality, economic inequality and the climate crisis, using our time, technology and experience.

Shareholders
We target sustainable growth in shareholder value.

Our Values
We do the right thing

Human
We make connections with customers, partners and colleagues, through empathy and care.

Bold
We are curious, courageous, ambitious and creative.

Trust
We deliver our promises to customers, partners, colleagues, society and shareholders.

Simplify
We strip away complexity.

Helping bus

Business highlights

19
countries in which we operate

97%
recurring revenue[1]

10,789
colleagues globally[2]

4.0
Glassdoor score

Non-financial highlights

AAA
MSCI ESG rating

41%
leadership teams meeting our FY26 gender diversity target[3]

159,714
Sage volunteering hours

13,420
SMBs benefitted from financial support through our Sage Foundation partnerships.

Our approach to sustainability

We are committed to growing our business in a sustainable way, by knocking down barriers and delivering extraordinary outcomes for our customers, partners, colleagues, society, and shareholders.

We are integrating sustainability into everything we do: how we operate, our supply chain, the products we build, and the culture we work in. However, our influence extends far beyond our own operations. Taking action starts with us, but the impact we create spreads beyond us. We call this the "The Multiplier Effect".

Sage Foundation

Sage Foundation aims to knock down barriers in our communities, mobilising our colleagues, partners, and customers through impactful and innovative programmes.

Our volunteering, fundraising, grant-giving, skills training, and other charitable and community work all come together under the global banner of Sage Foundation.

1. As a percentage of total underlying revenue.
2. Headcount data of 10,789 excluding eight Non-executive Directors as at the end of September.
3. Global gender diversity target to achieve representation of no more than 60% of men, women, or non-binary people in any leadership team by the end of FY26.

iness flow

Focused on customer needs

Sage serves millions of small and mid-sized businesses around the world

Our products are mission-critical for our customers, providing accounting, HR and payroll solutions that are vital to business operations. By automating workflows, and delivering insights, they streamline our customers' processes, save them time, and help them make better decisions. Building on our rich experience, our products are focused on specific customer needs across the small and mid-sized business segments.

Small businesses

Owner-run businesses with individuals or small teams responsible for finances and human resources are typically seeking to automate accounting and compliance while managing costs and cash flow. Our solutions are tailored to their specific needs, so they can prioritise their time and stay on top of evolving regulations.

Mid-sized businesses

Mid-sized customers are often scaling and transforming, with dedicated functions to manage finance, HR, and operations. They are focused on growth and efficiency, requiring insight and automation. Our solutions give finance and HR professionals insights to help their organisations analyse, strategise, and improve forecasting, by streamlining their workflows.

Sage Network

The Sage Network is our platform of cloud products and services that digitally transform customer workflows across their business ecosystems. The platform connects Sage's products, customers and data, enabling innovative digital capabilities and supporting solutions such as Sage Copilot. You can read more about the Sage Network and Sage Copilot on pages 20 to 21.

Suites and integrated propositions

Suites enable customers to select a solution that's right for them and get work done across the jobs they need to do, all on a single platform, with a convenient all-in-one plan.

Each suite is based on an accounting or financials product, and includes selected HR, payroll, and business management tools, depending on business needs.

Sage for Small Business

As a holistic suite of integrated applications, Sage for Small Business brings together accounting, payroll, and HR tools to streamline workflows, deliver integrated insights and support business growth.

Sage for Accountants

Sage for Accountants supports accountants and bookkeepers with a customisable accounting platform that offers human support and game-changing practice automation tools, enabling easier client engagement and management.

Sage for Accountants provides practices with the tools they need to drive rewarding and profitable client relationships.

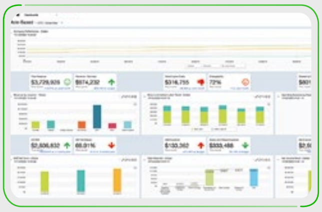
Sage suites for mid-sized businesses

The needs of our mid-sized customers are shaped by the industry in which they operate, so we deliver suites tailored to vertical markets. Each industry or market suite delivers a simplified, streamlined offering with intuitive plans to match the industry's unique needs. Component products in each suite include functional integrations that enable work and data to flow with ease.

To date, we have launched Sage for Construction and Sage for Non-Profits, with more integrated propositions expected during FY25.

Key (S) Small businesses (M) Mid-size businesses

Further information



Sage Intacct (M)

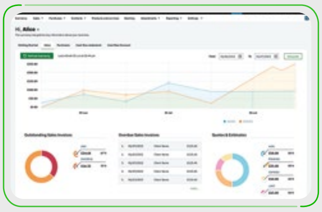
Sage Intacct helps organisations thrive in today's digital world with proven cloud native solutions across accounting, planning, analytics, and payroll. The powerful cloud platform offers deep multi-dimensional insight and AI-powered automation for organisational agility.

Sage 50 (S) and Sage 200[1] (M)

Our Sage 50 cloud and Sage 200 cloud franchises enable customers to control their business and gain complete visibility over their finances and operations. Sage 50 is designed for small businesses, while Sage 200 offers customisable solutions to meet the needs of mid-sized businesses.

Sage X3 (M)

Sage X3 provides fast, intuitive, and tailored business management capabilities for product-centric organisations, transforming how they manage people, processes, and operations with multi-language, multi-legislation and multi-currency capabilities.



Sage Accounting (S)

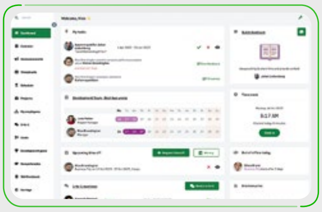
Sage Accounting is designed to enable small businesses operating in any industry, as well as accountants and bookkeepers, to manage their customer data, accounts, and people in a single cloud native solution.

Sage Active (S)

Sage Active is an intuitive and multi-legislation cloud native solution for small businesses in Europe to automate accounting, sales, and purchasing processes.

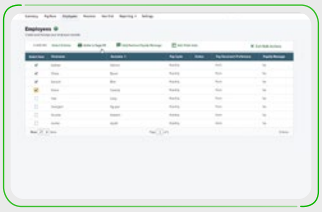
Sage People (M)

Sage People is a cloud native HR and people management solution for mid-sized businesses. It uses powerful automation, comprehensive analytics and flexible workflows to ensure global workforces can adapt and thrive.



Sage HR (S)

Sage HR is designed to make people management easier and help teams perform at their best. Sage HR is best suited to small and mid-sized businesses on site or on-the-go. For businesses that require a turnkey, modular, low-cost, and easy-to-install solution, Sage HR offers core record management, leave management, staff scheduling, and expenses services.



Sage Payroll (S)

Sage Payroll is an intuitive, cloud-based solution that helps small businesses to run their payroll reliably and flexibly, including capabilities such as pensions filing, HMRC submissions, and compliance.

1. The Sage 200 product family includes solutions branded Sage 100, Sage 200, and Sage 300.

Our market opportunity

Market trends

Sage is present in markets around the world, serving a diverse customer base of SMBs across North America, Europe, Africa, and Asia-Pacific. The breadth and scale of our business provides us with unique visibility into small and mid-sized business trends globally, enriching our understanding of our customers' needs.

Digitalisation is driving the rapid adoption of new cloud solutions and AI-powered services. SMBs, in response to competitive pressures, are investing in software to automate workflows, gain better business insights and comply with regulatory obligations. The advent of powerful new technologies such as generative AI has opened up new ways for SMBs to raise productivity, and for technology providers to transform their customer experience.

Governments are also encouraging digitalisation through the regulatory environment. The EU in particular, as part of its Digital Decade programme, has set an ambition for at least 75% of EU businesses to adopt cloud, big data or AI in their operations by 2030. The EU is also supporting the uptake and mandating of e-invoicing, which helps businesses pay and get paid faster and more efficiently, and is fully supported by Sage.

SMBs play a significant role in the global economy, representing an estimated 99% of firms in our key markets. While the current global macroeconomic and geopolitical environment presents challenges for all businesses, SMBs are typically agile in their response and continue to invest in new technology to help them thrive, despite these challenges.

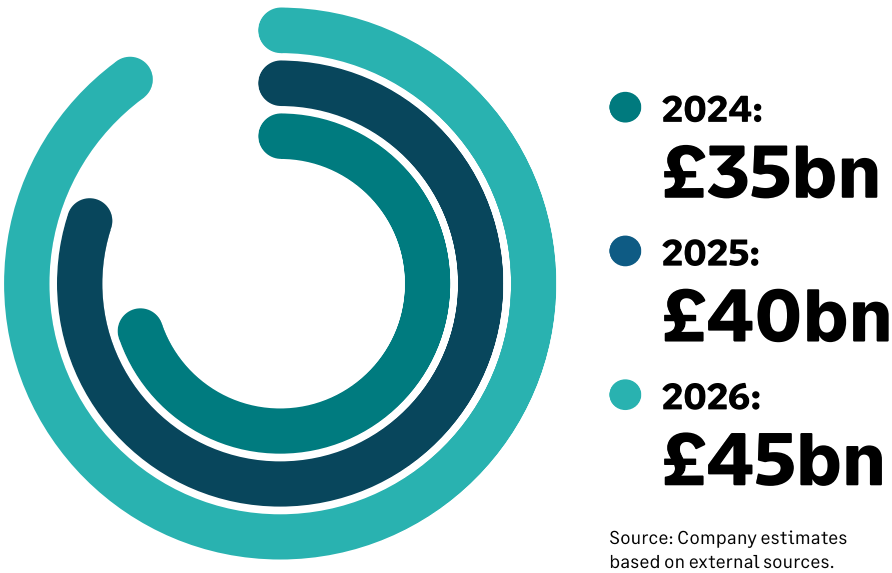
These factors create a compelling opportunity for Sage, as we support SMBs with our trusted portfolio of accounting, HR and payroll solutions.

99%

Estimated 99% of firms in our key markets are SMBs

Our addressable market

The use of technology by SMBs continues to evolve at pace, as they benefit from data-driven insights and increased connectivity between organisations. The addressable market for Sage (including organisations with up to 2,000 employees in all countries where we sell our solutions) is forecast to be £40bn in 2025 and to continue growing. This market includes accounting and financial management, human capital management, enterprise resource planning, payroll, accountant taxation and compliance, and accounting practice management software across both cloud and on-premise deployments.



Source: Company estimates based on external sources.

Addressing the market opportunity through our technology

Powering digital transformation

Digitalisation trends are accelerating and SMBs are investing in software to enhance their competitiveness and maximise efficiency. They are increasingly looking to automate workflows, drive better business insights, improve accuracy, and comply with regulation.

The role we play

We empower SMBs with our solutions, while providing advice and human support when customers need it. The foundation of our proposition is the Sage Network, our platform of cloud services, where data and technology integrate seamlessly, enabling our customers to transform their accounting, HR, and payroll workflows. In addition, we are introducing Sage Copilot, our generative AI assistant, to help businesses to make smarter and faster decisions.

Elevating human work

Digital transformation in the accounting industry is enabling humans to reduce the time they spend on low-value repetitive tasks. Using real-time trusted data, digital technology helps people to focus on analysis, collaboration and decision making, while enabling them to take a more strategic approach in their roles.

The role we play

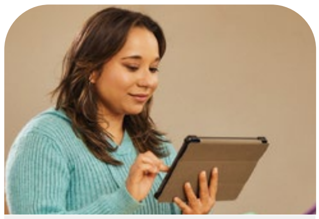
Our trusted solutions automate manual processes that can be prone to error and are time consuming, enabling businesses to focus on higher value work. Customers can use our AI-powered services to boost productivity, access tools to reduce payment delays, ensure readiness for e-invoicing, remain compliant and unlock effortless reporting.

Enabling responsible growth

Technology can play a critical role in creating a more sustainable future. As technology develops and its range of applications widens, it is increasingly incumbent upon technology providers to conduct their business in an environmentally and a socially responsible way.

The role we play

We understand the importance of addressing digital inequality and tackling environmental responsibility. We elevate diverse talent, promote inclusive digital networks, and provide the technology solutions that SMBs need to understand and manage their carbon emissions. Sage's success depends on our ability to engage effectively and work constructively with all of our stakeholders.



Creating trusted technology

Our ambition is to create the world's most trusted, thriving network for SMBs, powered by Sage Copilot. Widespread technological innovation and advances in generative AI bring significant productivity benefits, but also increased challenges around data accuracy, privacy and security, and the management of intellectual property.

The role we play

Sage has a proven track record and is a trusted partner to SMBs and accountants around the world. We consistently embrace new technology to enhance our business solutions, in a secure and ethical manner that puts customers in control. We aim to use AI in a way that promotes customer trust in Sage and our products. Our commitment to upholding the highest standards is outlined in our Data and AI Ethics Principles.

Case study: Sage HR helps Ambassador Cruise Line streamline processes and protect data

HR tasks such as reporting, paid time off (PTO) scheduling, and rostering were previously done manually. Using Sage HR meant Ambassador Cruise Line could swap manual data entry with intelligent reporting and automated processes, providing deeper insights and helping it to more efficiently manage the business of people.

Our business model

Creating value for our stakeholders

Inputs

Customer base
The breadth of our customer base around the world gives us a unique insight into the needs of SMBs.

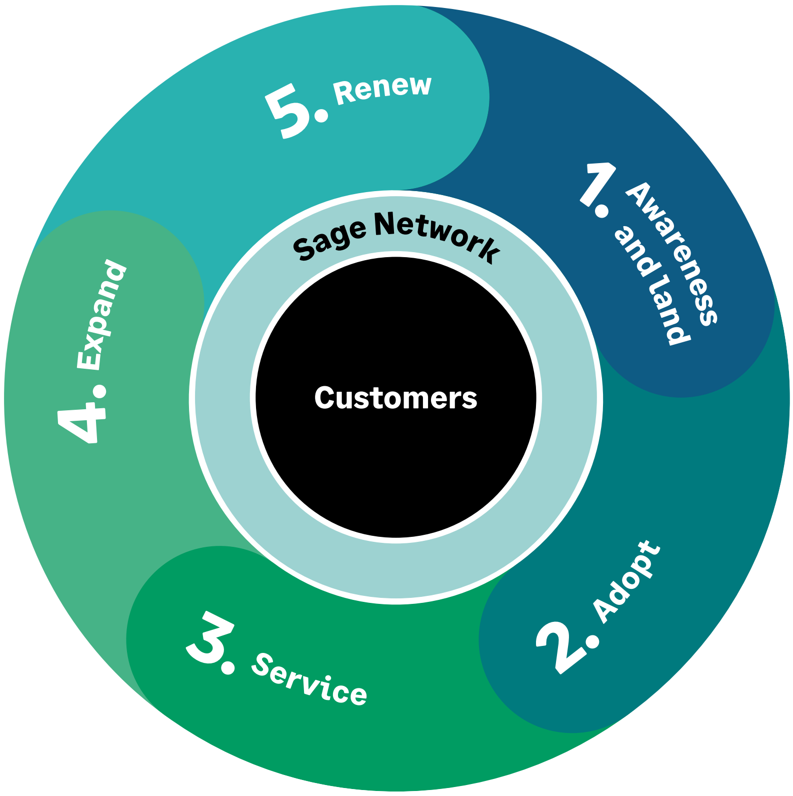
Trusted advisor
Sage is a trusted brand providing award-winning customer service, which generates loyalty and advocacy among customers.

People
Caring and engaged colleagues are committed to driving success for our customers.

Ecosystem
Sage's scale and reach is expanded through our ecosystem of accountants, resellers and technology partners.

Innovation
We are investing to ensure our products remain differentiated in a changing technology landscape.

How we attract and retain customers



1. Awareness and land
Attract new customers to Sage through brand awareness, targeted campaigns, the sage.com website, and partners. Offer guides and trials to prospective customers.

2. Adopt
Sign up new customers to Sage products on subscription. For some solutions, Sage or its partners provide training and onboarding to get customers started.

3. Service
Provide digital and human customer support to enhance our customers' experience, offering regular check-ins and conducting feedback surveys.

4. Expand
Enable Sage customers to benefit from our expanding portfolio of cloud-based solutions and services. This increases the value of our product portfolio and enables Sage to deepen customer relationships.

5. Renew
Create a seamless experience for customers that drives higher satisfaction, helps retain customers, and increases adoption of Sage solutions. New customers are attracted to the network through recommendations and advocates.

Our enablers
Sage Network

More customers
Adding customers, end users and ecosystem participants improves the network effect and allows Sage to scale new value propositions. Ecosystem participants (attracted by customer volumes) amplify the network effect.

More data
With more data and data types from network participants, Sage can capture data flows and transactions within and outside the network.

More insight
Data drives the development of AI-powered solutions through a combination of understanding customer problems and deploying data science capabilities enabled by a culture of experimentation and innovation.

More value
These solutions enhance the customer experience and create value for customers and Sage.

A culture of innovation and experimentation
Continuous innovation at Sage is driven by a collective ambition to transform the accounting industry. We foster a high-performance culture and encourage our colleagues to adopt an experimental mindset so we are continually adapting to an evolving technological landscape.

Our Values
At Sage we do the right thing and deliver on our promises.

We value being Human and Bold, creating Trust, and Simplifying for our stakeholders.

- Being **Human** through empathy, care and strong connections.
- Being **Bold** by being curious, courageous, ambitious and creative.
- Creating **Trust** by delivering our promises.
- **Simplify**ing by stripping away complexity.

Outputs

Customers
101%
renewal by value

Colleagues
76
employee satisfaction (eSAT)

Community
159,714
Sage Foundation volunteer hours spent helping our communities

Shareholders
23%
underlying basic EPS growth

20.45p
total dividend for the year

£400m
share buyback announced

Delivering sustainable growth

> **Sage delivered another successful year in FY24, continuing its strong trajectory of growth.**
>
> **Andy Duff**
> Chair

Introduction

Sage delivered another successful year in FY24, continuing its strong trajectory of growth while significantly increasing profitability and cash flows. Group revenue is 25% higher than it was three years ago, revenue in North America has now exceeded £1bn, and the Group has achieved record operating profits. This performance highlights both the strength of our business model and the continued dedication of our people. I would like to extend my and the Board's gratitude to all of our colleagues, and our partners, for their ongoing, steadfast commitment to Sage and its customers.

Evolved strategic framework

Sage's strategy is governed by our purpose—to knock down barriers so everyone can thrive. This starts with our customers, but it extends to all our stakeholders, including colleagues, partners, society, and shareholders. By supporting the success of millions of SMBs, which are significant employers and wealth creators, Sage continues to contribute to broader economic and societal growth.

While our purpose remains the same, during the year the Board adopted an evolved strategic framework to better reflect two key drivers of Sage's future success, underpinned by an ongoing focus on innovation. Firstly, through our software and solutions, we aim to create the world's most trusted, thriving network for SMBs. And secondly, this network will be powered by Sage Copilot, our generative AI-based digital assistant, enabling Sage to transform the experience of our customers and significantly enhance the value we deliver to them.

You can read more about our evolved strategy, and the significant strategic progress we have made over the last year, on pages 15 to 21.

Delivering value for our shareholders

Sage's strong financial performance in FY24 was driven by consistent strategic execution and a focus on sustainable, efficient growth. Underlying revenue increased by 9% to £2.3bn, while strong cost control helped underlying operating profit to grow by 21% to £529m. With underlying basic EPS up by 23% to 37.9p, Sage has now delivered two consecutive years of annual EPS growth in excess of 20%.

Sage remains a highly cash generative business, with 97% of revenues recurring and a strong working capital profile. Cash conversion in FY24 was excellent, at 123%, and this underpinned growth in free cash flow of 30%.

We continue to carefully manage our capital allocation; during the year, Sage significantly increased organic investment, and acquired complementary technology and expertise through M&A, including the acquisitions of Bridgetown Software, Infineo, and Anvyl, broadening our capabilities and reach.

Over the last five years, Sage has returned £2bn to shareholders via dividends and share buybacks. We have also announced the return of a further £400m to shareholders via buybacks in FY25. In line with our progressive dividend policy, the Board is proposing a final dividend of 13.50p per share, representing a total dividend of 20.45p per share, an increase of 6%.

Colleagues and culture

Sage's most important asset is its people. We foster a high-performing, purpose-driven, and inclusive culture, and Sage continues to be recognised as a great place to work based on colleague feedback. We also continue to accelerate our diversity, equity, and inclusion agenda to ensure we create an environment which supports individual wellbeing, growth, and career progression. During the year, Sage increased its proportion of leadership teams meeting our FY26 gender diversity target to 41%, up from 34% at the end of FY23. Sage was also listed among the Top Employers for Women by Forbes and as a Diversity Leader by the Financial Times.

Governance and the Board

Strong corporate governance is essential to the long-term success of the business, and we aim to operate to the highest governance and ethical standards.

I was delighted to welcome Annette Court as Senior Independent Director in January 2024, succeeding Drummond Hall, who retired from the Board in December 2023. Annette has been a member of the Board since 2019, and she brings a wealth of experience to her new role.

In October 2024, Sangeeta Anand advised the Board that she will not stand for re-election at the 2025 AGM, in order to focus her time on other commitments. A recruitment process for a new Non-executive Director is underway, and we look forward to announcing our progress in the near future.

With varied viewpoints contributing to more robust decisions, Board diversity is a priority for Sage. I'm pleased that the Board meets the recommended guidelines for both gender and ethnic diversity, as outlined by the FTSE Women Leaders Review, the Parker Review, and the UK Listing Rules.

The Board also prioritises engaging with and supporting our colleagues. In January 2024, we appointed our fifth Board Associate, Amy Cosgrove, Vice President (VP) People North America and Product, who is based in Atlanta. The Board Associate aims to enhance decision making by representing colleagues in Board discussions, while in turn helping colleagues throughout Sage to better understand the role of the Board.

Subject to approval at the 2025 AGM, KPMG will be appointed to act as external auditor for the financial year ending 30 September 2025, replacing EY. I would like to thank EY for its significant contribution and service since its appointment in 2015.

Sustainability and society

Sage's Sustainability and Society strategy focuses on key environmental, social, and governance (ESG) priorities for the business, and is central to how we deliver on our purpose. Our focus during the year has been to embed sustainability into our operations, our products, and our culture.

We continue to work towards our Science Based Targets initiative (SBTi) validated carbon targets of halving emissions by 2030 and achieving net zero by 2040. In addition, Sage Foundation forms an important part of the fabric of life at Sage, mobilising all colleagues, together with their families and our partners, to support social and environmental causes through volunteering and fundraising.

We received strong external recognition during the year, including being ranked the UK's most sustainable company by TIME Magazine and featured in the Financial Times Europe Climate Leaders list for 2024. Sage has an "AAA" ESG rating from MSCI, and an "A-" Climate Change score from the Carbon Disclosure Project.

Remuneration Policy

During 2024, Roisin Donnelly, Remuneration Committee Chair, led a comprehensive engagement process with key shareholders in advance of the Board proposing a new Remuneration Policy for approval at the 2025 AGM. The Board believes it is essential that Sage remains able to retain and recruit the highest quality talent in a globally competitive technology marketplace. In this context, the revised Policy aims to realign Executive Director pay to reflect Sage's recent performance and increasing international scale and breadth, while reinforcing a pay-for-performance philosophy. Full details of the revised Policy are set out on pages 129 to 136.

Looking forward to FY25 and beyond

This has been a strong year for Sage. Macroeconomic and geopolitical pressures continue to present challenges to SMBs globally; however, SMBs are proving resilient and continue to choose Sage to help them be more productive and efficient. As we look to the year ahead, I am confident that we will continue to deliver sustainable, efficient growth for the benefit of shareholders and all our stakeholders.

Further insight into the activities of the Board in FY24 can be found on pages 90 to 93

Andy Duff
Chair

19 November 2024

Powering the digital economy

By serving our purpose, we enable millions of SMBs to streamline their processes, saving them time and giving them better business insights.

Steve Hare
Chief Executive Officer

Introduction

Sage performed well in FY24, delivering a strong financial performance and achieving good strategic progress. By serving our purpose—to knock down barriers so everyone can thrive—we enable millions of small and mid-sized businesses to streamline their accounting, HR, and payroll processes saving them time and giving them better business insights.

For the third consecutive year, we achieved a double digit increase in annualised recurring revenue (ARR), which helped to drive robust, broad-based revenue growth across the business, despite ongoing macroeconomic challenges. We also grew operating profit by more than 20% and significantly expanded our operating margin. This was complemented by excellent cash performance, through continued growth in subscription revenue and good working capital management.

Our growth trajectory is underpinned by innovation, as we focus on developing new ways to make our customers' lives easier. We continue to enhance our core products, delivering new features that are better tailored to specific customer needs. We're integrating AI into more business workflows, and have made important progress in developing and launching Sage Copilot, our generative AI-based digital assistant. To simplify our proposition and provide greater value to customers, we've also launched integrated product suites in selected business areas and verticals.

Our support for SMBs goes well beyond our core solutions and services. We also help them in broader ways—for example, by supporting them with carbon emissions reduction, by championing their interests with policymakers, and by empowering them with new skills and resources. By helping SMBs thrive, Sage is bringing benefits to our communities and wider society, delivering technology-enabled growth and powering the digital economy.

Our achievements are a testament to the dedication and hard work of all our colleagues at Sage, and I'd like to thank them, together with the partners and accountants with whom we work, for all that they do to support the success of our customers and our business.

Financial performance

Sage increased underlying total revenue growth by 9% to £2,332m, with all regions contributing to growth. In North America, revenue exceeded £1bn for the first time, growing by 12% in the year to £1,052m, with a good performance from Sage Intacct together with continued growth in Sage 50 cloud and Sage 200 cloud. In the UKIA region, revenue increased by 8%, driven by Sage Intacct together with cloud solutions for small businesses. In Europe, revenue increased by 6%, with growth across the portfolio.

Underlying operating margin increased particularly strongly, by 220 basis points to 22.7%, following a 21% increase in underlying operating profit to £529m. This was driven by operating efficiencies together with disciplined cost management, enabling ongoing investment in the business. Reflecting this progress and the impact of last year's share buyback programme, underlying basic EPS increased by 23% to 37.9p.

Growth was driven by continued success in our cloud accounting, payroll, and HR solutions. Sage Intacct was the largest contributor to growth, both in the US and, increasingly, in our other markets, where it has been more recently launched. Other cloud native solutions such as Sage Accounting, Sage Payroll, and Sage HR also performed strongly. In addition, Sage 200, Sage 50, and Sage X3 were significant contributors to growth.

As a result, Sage's ARR increased by 11% to £2,339m, with growth remaining well balanced between new and existing customers. In total, Sage added £190m of ARR through new customer acquisition in FY24, in line with the prior year. Our renewal rate by value of 101%, while slightly below last year's figure of 102%, reflects continued strong retention rates and a good level of sales to existing customers, including customer add-ons and targeted price rises.

Our strategy for growth

Sage has made significant progress in delivering the strategy we set out at the end of FY21. As our market continues to develop and expand, and customer expectations of technology change, we've evolved and simplified our strategic framework, to drive further progress and support Sage's long-term success.

Our purpose is enduring and remains unchanged. However, we've updated our ambition, which is now "to create the world's most trusted, thriving network for SMBs, powered by Sage Copilot". This better reflects the importance of our growing digital network, and the increasing role of AI in driving customer value.

While remaining consistent with our existing strategic priorities, our refreshed framework is centred on three key focus areas, where we are making good progress:

- **Connecting** our customers, products, and data through the Sage Network, our platform of cloud products and services that digitally transform customer workflows across their business ecosystems. We made good progress in this area during the year, driving the adoption of network services such as accounts payable automation, enabling new services such as e-invoicing, and enhancing the network proposition for developers.
- **Growing** our business by winning new and delighting existing customers. We continue to drive new customer wins, led by Sage Intacct, where ARR grew by almost a quarter in the US and by 60% in other markets, as well as across the rest of the portfolio. We also target the "in-life" growth of existing customers through focused cross-sell and upsell.

Investment case
Building shareholder value

Diversified and differentiated

- Serving a wide range of SMBs across diverse geographies, with deep expertise across financials, payroll, and HR.
- Broad ecosystem of partners, accountants, resellers, and independent software vendors (ISVs) who enrich and expand the reach of our offering.
- Solutions backed by business advice and human customer support

19 countries

Focused on innovation

- Rolling out global cloud solutions across our markets, led by Sage Intacct.
- Adding value to existing and new customers by delivering new cloud services.
- Scaling and leveraging the Sage Network to transform the workflows of SMBs.
- Boosting productivity for customers through AI-driven insights and automation.

£344m R&D spend in FY24

Delivering efficient, sustainable growth

- Focused on scaling the business, with growth creating headroom to increase investment and expand margins.
- Growth supported by favourable SMB drivers, including the need to raise productivity through digitalisation and compliance.
- Strong commitment to ESG supporting the long-term sustainability of Sage.

ARR growth 11% in FY24

Robust financial model

- High-quality revenue base, which is 97% recurring, with 82% from software subscription.
- Highly cash generative, low capital intensity business, with underlying cash conversion over 100% for each of the past six years.
- Organic and inorganic investment balanced by dividends and additional capital returns to shareholders where appropriate.

Cash conversion 123% in FY24

- **Delivering** productivity and insights through AI, so our customers can save time, and make better decisions. During FY24, we introduced Sage Copilot, available to over 8,000 customers of Sage Accounting, Sage for Accountants, and Sage Active so far, with Sage Intacct expected to follow in 2025. Sage Copilot uses generative AI to serve as a digital assistant to our customers, streamlining routine tasks, providing strategic insights and enhancing decision making. While still early in the product's development cycle, feedback so far is very encouraging.

Finally, we've formally added "partners"—including accountants, resellers, and developers—to our list of key stakeholders, given their importance to Sage, as we share common goals in creating success for our customers while growing our business. You can read more about our evolved strategy, and our progress towards our strategic objectives, on pages 15 to 21.

Increasing our customer focus

Creating enduring customer relationships is fundamental to our business. Reflecting our commitment to customer excellence, Sage Intacct was ranked first for customer satisfaction in the G2 Fall 2024 report for accounting software—and in mid-market accounting, it scored 100/100 for the fifth consecutive quarter.

More broadly across the Group, we have revamped our customer experience strategy, to better measure and improve customer satisfaction. Based on these actions and the insights generated so far, we have increased our transactional Net Promoter Score (tNPS) across the Group. We have also invested in our customer support operations, using AI to analyse the content of customer interactions to find opportunities for change and improvement.

We've continued to focus on driving customer perception and building brand awareness, particularly in the US, where we've elevated our partnership with Major League Baseball (MLB), including a new media partnership deal with Disney Advertising.

Engaging and developing our colleagues

Colleagues are the lifeblood of Sage, and high levels of motivation and engagement are key to delivering on our strategy. In FY24, we took steps to embed a high-performance culture, encouraging colleagues to focus on accountability, in-the-moment feedback, continuous learning, and customer centricity. To help promote this culture, our senior leaders delivered "leading extraordinary teams" workshops to over 1,600 people managers throughout the Group. We also provided leadership and development training through academies and online communities at all levels of the organisation. Over half of our vacancies were filled internally in FY24 as we focused on ensuring development and growth opportunities for all colleagues.

To enhance diversity, we aim to recruit people from a wide range of backgrounds, including through our strong early careers programme, which in FY24 attracted over 300 graduates, apprentices, and interns to Sage. Our Pathways programme provides opportunities to those facing employment barriers, including people with disabilities, returning professionals and military veterans.

Our employee satisfaction score remains high, in the upper quartile of the global benchmark, in line with last year. Sage also has a strong global Glassdoor score of 4.0, broadly in line with FY23.

Doing business sustainably

We're committed to scaling our business in a sustainable way, by knocking down barriers and seeking to deliver extraordinary outcomes for all our stakeholders. In FY24, we focused on embedding sustainability into our operations, products, and culture, as well as progressing our sustainability commitments and targets. Reflecting our progress, we were pleased to be ranked among the World's Most Sustainable Companies 2024 by TIME Magazine.

Last year, we published our Net Zero Transition Plan, and we continue to work towards our SBTi-validated carbon targets of halving emissions by 2030 and achieving net zero by 2040. Through our Tech for Good partnerships, we have empowered more than 30,000 small business owners globally to scale and grow their businesses. Through Sage Foundation, we invite colleagues, partners, and their families to support local charitable initiatives, and in FY24 we collectively contributed almost 160,000 volunteering hours and raised over $600,000 for our communities.

Summary and outlook

Sage had a strong year in FY24, despite significant macroeconomic and geopolitical uncertainties. Small and mid-sized businesses are resilient, and continue to invest in digital technology to streamline their operations and drive better outcomes. Driven by consistent, focused strategic execution, we enter FY25 with good momentum.

Looking ahead, we expect organic total revenue growth in FY25 to be 9% or above. Operating margins are expected to trend upwards in FY25 and beyond, as we continue to focus on efficiently scaling the Group.

Strategic Report

Our Strategic Report on pages 1 to 74 has been reviewed and approved by the Board.

Steve Hare
Chief Executive Officer

19 November 2024

Our strategy

An evolved strategy for sustainable growth

Sage has made significant progress in delivering the strategy we set out at the end of FY21—driving strong revenue growth through a core set of cloud solutions, underpinned by innovation.

As our market continues to develop and grow, and customer expectations of technology change, we've evolved and simplified our strategic framework, to drive further progress and support Sage's long-term success.

Our purpose

... is to knock down barriers so everyone can thrive.

Our ambition

... is to create the world's most trusted and thriving network for SMBs, powered by Sage Copilot.

Our strategy

... comprises three key focus areas that will help us achieve our ambition and fulfil our purpose. These focus areas guide our operational and investment decisions, and support the setting of more detailed business objectives for colleagues.

Connect
Connecting SMBs through our trusted and thriving network

Grow
Winning new customers and delighting our existing ones

Deliver
Delivering productivity and insights driven by AI

Our stakeholders

... are central to our business, and we seek to align all our activities with their interests.

Customers | **Colleagues** | **Society** | **Shareholders** | **Partners**[1]

Our Values

... underpin our culture and drive our ways of working.

We do the right thing

Human | **Bold** | **Trust** | **Simplify**

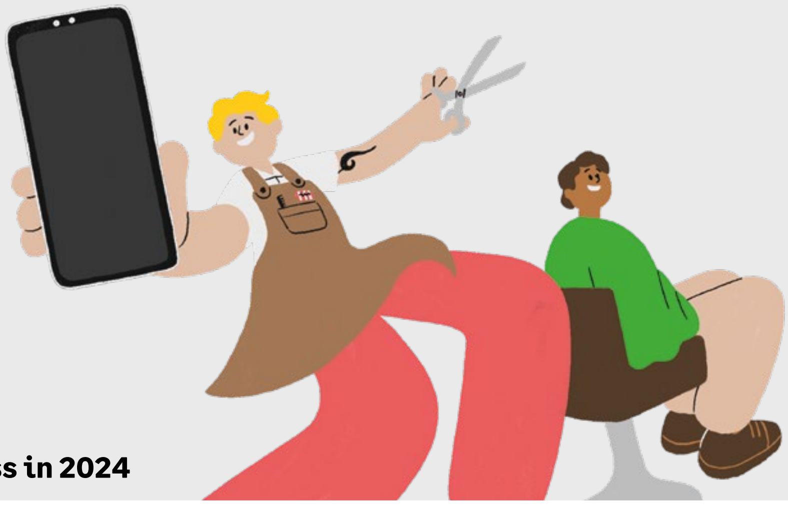
Sustainability and Society

Sage's role in society is a vital part of the equation. We seek to integrate sustainability into our everyday operations, helping to ensure Sage makes a positive societal impact through our three sustainability pillars: Protect the Planet, Tech for Good, and Human by Design. See pages 30 to 34 for more about Sage's sustainability approach and progress.

1. Partners have been formally included as a stakeholder in our strategic framework from FY25 onwards.

Progress towards our strategic objectives

Strategic focus area	Rationale
Connect **Connecting SMBs through our trusted and thriving network**	Sage Network is our platform of cloud products and services that digitally transform customer workflows across their business ecosystems. The platform connects Sage's products, customers, and their associated data flows, enabling digital capabilities such as bank reconciliations, tax submissions, and invoicing. These services streamline our customers' business interactions and save them time. The scale and reach of the network create a powerful innovation platform for Sage and form an attractive market for third-party software developers, who provide additional features to enrich the Sage customer experience. We have made good progress in building the network to date, and our focus now is to drive the further development and adoption of network services across the Sage Business Cloud portfolio, enhancing benefits to customers and driving network scale effects for Sage.
Grow **Winning new customers and delighting our existing ones**	Ensuring Sage maximises its market opportunity and continues to grow is fundamental to our strategy. Our overarching aim is to expand revenues across all products and services, throughout our geographical end markets. Within this, we are focused on several key objectives in order to drive the strongest possible outcomes. These objectives include further scaling Sage Intacct in North America and UKIA, growing our small business solutions (particularly through accountants), establishing Sage Intacct and Sage Active in Europe (where cloud adoption is lower than the US and UK), and driving the "in-life" growth of existing customers through focused cross-sell and upsell. Delivering a customer-centric experience, including simpler, more integrated propositions (suites) with tiered pricing, is a key feature of our growth strategy.
Deliver **Delivering productivity and insights driven by AI**	Advances in AI technology, including the development of generative AI, have provided an opportunity for Sage to significantly enhance the value delivered to customers. Sage Copilot is our new, generative AI-powered productivity assistant that streamlines routine tasks, provides strategic insights and enhances customer decision making. Features such as automated invoice management, payment reminders, insight generation and recommendations are helping customers get paid faster and be more productive. By driving the adoption of Sage Copilot and other AI-powered solutions, we can enable our customers to save time, make better business decisions, and elevate their work. Continued investment in AI will help us to differentiate our products and transform the customer experience.



Progress in 2024

- Increased availability and adoption of network services, including Accounts Payable (AP) and Accounts Receivable (AR) automation.
- Expanded e-invoicing capabilities in readiness for introduction across European markets in line with government requirements.
- Extended our partnership with Stripe, making it easier for customers to pay and get paid.
- Launched a customer account portal, enabling Sage customers in the UK to confidentially share invoice and payment information.
- Partnered with AccessPay to enable Sage customers to automate their banking operations.
- Enabled more customers to connect to the network by growing Sage Business Cloud.

Success measures

- Availability and adoption of network platform services
- Sage Business Cloud revenue growth

16%

Sage Business Cloud revenue growth

- Continued strong Sage Intacct growth of 24% in the US and around 60% in other markets.
- Introduced specialist industry suites, including Sage for Construction and Sage for Non-Profits.
- Rapid growth of Sage Intacct in the UK, with almost 1,200 customers, and good early momentum following recent launches in France and Germany.
- Launched the Sage for Small Business suite in the UK and Canada, and expanded the Sage for Accountants suite in the UK, Canada, and France.
- Drove cross-sell and upsell through add-ons and deeper functionality throughout the portfolio.
- Continued growth from Sage 50 and Sage 200 in all regions.

- ARR growth
- Renewal rate by value
- Customer experience metrics

101%

Renewal rate by value

- Introduced Sage Copilot to early adopters including 8,000 customers of Sage Accounting, Sage for Accountants, and Sage Active.
- Developing the solution for deployment more broadly across the Sage portfolio, with Sage Intacct expected to follow in 2025.
- Partnered with Amazon Web Services (AWS) to develop a domain-specific large language model focused on accounting and compliance.
- Enhanced Sage Earth, powered by machine learning and AI using AWS.
- Rolled out Microsoft Copilot within Sage, saving time and enhancing productivity for colleagues.

- Sage Copilot availability and engagement
- Internal adoption of AI tools to drive efficiency

Sage Copilot available to

>8,000

customers

Strategy in action

We've evolved our strategy to make sure we can continue to deliver extraordinary outcomes for our customers. We're focused on delighting them with strong products and human support, that builds loyalty, encouraging them to remain and grow with Sage.

Case study: Orion Companies

Orion Companies is a Real Estate and Development business, based in Wyoming, US. Expanding from a single office to five offices regionally, and with over 13 different divisions and entities, Orion was finding it difficult to scale using its existing enterprise resource planning (ERP) solution. The business knew they needed a cloud-based solution capable of handling multiple entities with a construction and real estate focus. Since switching to Sage Intacct, Orion has sped up its bank reconciliation process: it would previously take 10 days to reconcile all 40 bank accounts, but now Orion can reconcile its accounts in real time on a daily basis, as the accounts are linked automatically via bank feeds directly to Sage Intacct.

"We're excited for the next couple of years of growth. With our old system, the company would not be able to grow, but using Sage Intacct has changed all that. We have thousands of transactions a day and we now have a real-time daily cash understanding."

Thomas Cochran
CFO, Orion Companies

Case study: SR Veterinary Group

SR Veterinary Group operates a veterinary practice based in Cheshire, UK. With the firm on a growth trajectory, there is a strong need to ensure the accuracy, and maximise understanding, of business data. With the aim of increasing efficiency and generating data insights, SR Veterinary Group implemented Sage Accounting, Payroll, and HR, all part of the Sage for Small Business suite. As a result, having crucial cross-business data in a single format provided a holistic overview with real-time information, meaning that SR Veterinary Group could base business decisions on objective facts, rather than intuition or a general overview. Automating tasks has improved accuracy, particularly for cash flow, which feeds into and enhances the quality of wider business data. In addition, using the same platform as the group's accountant, who advised it to switch to Sage, has enabled significantly better collaboration.

> **"The idea was to get everything under one roof and learn a single system that we can use for the long term and will scale with our growth. So we chose Sage for Small Business. I really like the ease of use and simplicity of Sage. We're vets; we're not accountants or HR people, but Sage makes it easy for us to carry out our duties and get those jobs done at times that suit us."**

Dr Christian Sadler
SR Veterinary Co-founder

Case study: Operation Hope

Operation Hope is a US non-profit focused on financial literacy and empowerment, based in Atlanta, US. It needed to upgrade from the limitations of its legacy accounting platform to alleviate extensive manual work and meet funding partner expectations for in-depth reporting. Operation Hope selected Sage Intacct for ease of use, AI capabilities to improve speed and accuracy, and flexibility to scale with rapid growth objectives.

It is also using Sage Intacct AI-powered Accounts Payable automation to enhance previously manual bill paying processes. The AI-powered General Ledger (GL) Outlier Detection capability in Sage Intacct is also delivering benefits. This capability can scan thousands of general ledger journal entries in seconds, highlighting potential anomalies for human review.

> **"AP Automation can scan an invoice and automatically fill in information based on historical data, and it's reduced our input time by about 99%. All we have to do is check the information for accuracy, then submit."**

Mark Knowles
Accounting Manager, Operation Hope

> **"GL Outlier Detection gives us time back, because we don't need to cycle multiple times between data entry and reviews. It makes review and approval much easier, because it catches outliers at the beginning."**

Michael A Smith
SVP of Finance and Accounting, Operation Hope

Accelerating the pace of innovation

Q&A with

Walid Abu-Hadba
Chief Product Officer

> **Sage Copilot can provide AI-driven insights and automate tasks more effectively, supporting Sage's goal of building a trusted network for SMBs.**

Our Chief Product Officer discusses how faster innovation at Sage is helping customers and powering growth.

Q How does Sage Network benefit Sage's customers?

Sage Network brings organisations together on one platform, making it easier for small and mid-sized businesses to automate complex workflows and manage everyday tasks. It takes care of things such as bank reconciliations, invoice processing, error detection, and even carbon accounting—all designed to reduce admin and free up time for more valuable work. In addition, by creating a developer community, it encourages new ideas and enhances the platform's capabilities.

Q Can you provide examples of the types of services that Sage Network enables?

Sage Network helps streamline business operations in a variety of ways. It offers an intuitive platform for connecting with others and securely handling financial transactions. It also automates accounts receivable and payable processes, and supports e-invoicing. Integrating with partners such as Microsoft extends what the platform can do, providing even more value.

Q How will Sage Copilot elevate human work?

Sage Copilot, our AI-powered assistant, is a big step forward in boosting productivity for small businesses. It simplifies tasks such as invoicing and cash flow management, helping customers work smarter and faster. With Sage Copilot built into our products, it's more than just a tool—it's like having a trusted partner to help streamline daily tasks and make more confident decisions.

Q How does Sage Network power Sage Copilot?

Sage Network connects data across different parts of a business, allowing Sage Copilot to easily find and retrieve information. This means Sage Copilot can provide AI-driven insights and automate tasks more effectively, supporting Sage's ambition of building a trusted, thriving network for SMBs. It also improves efficiency by helping to manage interactions, such as those between accountancy firms and their clients, while remembering past activities.

Q Where is Sage in its AI journey?

Since 2016, we've been pioneering AI solutions to empower our customers. We're constantly investing in AI to improve our products, boosting productivity and adding value for our customers. When it comes to generative AI, Sage Copilot is in an exciting space, with the potential to transform the customer experience. We're building Sage Copilot alongside our customers, listening to their feedback to make sure it meets their needs.

We're also committed to building trust with our customers by ensuring our AI is responsible and ethical. Even though it's early days, we view our investment in Sage Copilot not as a cost, but as a way to bring fresh value.

Q How else are you developing Sage's portfolio to meet the evolving needs of customers?

Sage is always adapting its portfolio to meet customer needs. With a range of solutions, we aim to be a "one-stop shop" for whatever our customers require. This year, we've introduced tiered product suites, making it easier to purchase and price our solutions while improving our market reach. We intend to include Sage Copilot access within our premium tiers and have already made it available to select UK customers in the Sage for Small Business and Sage for Accountants suites.

We're also creating tailored solutions for specific industries and enhancing our offerings for small businesses and accountants. By focusing on flexible solutions and innovative approaches, we're dedicated to meeting the changing needs of our customers. Our approach is always based on listening to customer feedback to make sure our developments tackle the challenges that SMBs face today.

Case study:
Working smarter with Sage Copilot

Dans La Cuisine is a video marketing agency and an expert in culinary storytelling specialising in creating content and showcasing success stories across its industry. Dans La Cuisine has used Sage Accounting for six months and is an early adopter of Sage Copilot.

At the end of every month, the company accountant used to request a list of time-sensitive tasks to be completed. With Sage Copilot helping with month end admin, Dans La Cuisine's management team now has more time to focus on setting strategic goals for the business, such as how to enhance profitability. By using Sage Copilot to perform manual and low-value tasks, it has saved around three days each month and helps the team focus on the business issues that really matter.

> **"Behind the scenes, it's learning my language, and it feels like I almost have another person working with me.**
>
> **I can ask Copilot what my best and worst weeks were, and it will retrieve the data. It would have taken me so much time to go through my diary and the accounts to drill into it. Now I can just ask Copilot the question and it's there. It gives back time and detail you may have missed. It just makes life easier."**

John Stableforth
Founder, Dans La Cuisine

For more information scan or click the QR code

Our key performance indicators

Measuring our progress

Sage has four strategic KPIs that show the impact and progress of our strategic execution.

Financial KPIs

Underlying ARR growth

Description
Annualised recurring revenue is the normalised reported recurring revenue in the last month of the reporting period, adjusted consistently period to period, multiplied by 12 (FY24: £2,339m). ARR growth is stated on a comparable FX basis, with the prior period ARR retranslated at the current year exchange rates, to neutralise the effect of currency fluctuations.

For a full definition, see our Glossary on page 261.

Why we are measuring this
Underlying ARR growth represents the annualised value of the underlying recurring revenue base that is expected to be carried into future periods, and its growth is a forward-looking indicator of reported underlying recurring revenue growth.

Performance
Underlying ARR increased by 11% in FY24, reflecting broad-based growth across all regions balanced between new and existing customers.

Renewal rate by value

Description
Renewal rate by value is the ARR from renewals, migrations, upsell, and cross-sell of active customers at the start of the year, divided by the opening ARR for the year.

Why we are measuring this
Since it does not include new customer acquisition or reactivation of off-plan customers, renewal rate by value is an important measure of the strength of our existing customer base.

Performance
Renewal rate by value of 101% from 102% in FY23, reflecting strong retention rates and a good level of sales to existing customers.

Selected non-financial KPIs

Customer experience

Our aim is to differentiate Sage through unique experiences that delight customers and help drive growth. Last year, we renewed our customer experience strategy, including changing the way we capture, measure and act on customer feedback. We extended the use of transactional NPS (tNPS) to measure a broad range of touchpoints, or 'micromoments', across the customer journey. This provides us with a granular understanding of the customer experience across a variety of different solutions and services.

In FY24, we focused on expanding this approach, gaining deeper insights and feedback which are enabling us to prioritise and implement targeted, measurable improvements across the Group.

Main metrics: micromoments[1], tNPS, customer experience improvements

1. Micromoments are specific touchpoints in the customer journey, where the customer experience is measured through a tNPS survey.

Our strategic objectives

See pages 16 to 17

Sage Business Cloud penetration

2024	88%
2023	84%
2022	75%

Description
Sage Business Cloud penetration is the underlying recurring revenue from Sage Business Cloud solutions as a percentage of the underlying recurring revenue of the Future Sage Business Cloud Opportunity.[1]

Why we are measuring this
This metric measures progress in the transition of the business to Sage Business Cloud solutions.

Performance
Sage Business Cloud penetration increased to 88% in FY24 reflecting the further expansion of Sage's cloud solutions within the business mix.

1. In FY24, underlying recurring revenue from Sage Business Cloud solutions was £1,844m, while underlying recurring revenue from the Future Sage Business Cloud Opportunity (which includes solutions that are part of, or have a clear pathway to, Sage Business Cloud) was £2,102m.

Subscription penetration

2024	82%
2023	79%
2022	75%

Description
Subscription penetration is the underlying software subscription revenue as a percentage of the underlying total revenue.

Why we are measuring this
This metric shows the progress Sage is making in migrating customers to subscription.

Performance
In FY24, subscription penetration reached 82%, reflecting continued growth from subscription contracts.

Employee satisfaction

Our people bring Sage's culture to life. One of the ways we monitor and understand how happy our colleagues are working at Sage is to conduct regular colleague surveys, including measuring employee satisfaction (see page 28).

Our employee survey response rates and findings provide insights on colleague sentiment and help to ensure that we act to preserve and enhance our culture.

Main metrics: eSAT

Sage Foundation volunteering

Sage Foundation is an integral part of life at Sage and is regularly cited by colleagues as one of the reasons they enjoy working here. Every colleague is given five days of paid volunteering leave every year to spend time knocking down barriers locally, connecting with the communities in which we operate. We measure engagement through the number of Sage Foundation volunteering hours (see page 30).

Main metrics: Sage Foundation volunteering hours

The Sage culture

Q&A with

Amanda Cusdin
Chief People Officer

Q How has Sage's culture continued to evolve?

At Sage, our day-to-day actions are driven by a common purpose: to knock down barriers so everyone can thrive. Our culture defines how we operate, behave, interact, make decisions and get things done, in pursuit of our purpose—it reflects the personality and character of the organisation. Sage has made considerable strategic progress over the last few years, and a strong culture has enabled efficient, sustainable growth, whilst navigating a challenging external environment.

In FY24, our overarching focus from a culture perspective has been to embed in our behaviours and expectations of each other the concept of "high performance", which we characterise as "consistently meeting and beating the high standard of objectives Sage sets itself, to deliver exceptional outcomes". To support high performance, in FY24 we changed our performance and reward approach, welcomed new leadership to drive our places strategy, invested in our workspaces, focused on maximising internal talent, prioritised early careers development, and continued to drive leadership maturity.

Partly as a result of these actions, we achieved a high engagement score in FY24, with employee satisfaction (eSAT) of 76, against a benchmark of 77, and a response rate of 85%. We continue to have a strong and effective culture, with good governance, operating with high ethical standards, that helps make Sage a great place to work.

Our Values support our actions and help guide us to do the right thing. We've been "bold" in the changes we've made while remaining "human" at our core, working with empathy and care, and forming strong connections with colleagues and customers. We continue to "simplify" our processes and ways-of-working, and we aim to make "trust" a key feature of our culture, as we deliver on our promises to our stakeholders.

Q What actions have we taken to bring a high-performance culture to life?

We've focused on our leaders to help embed a high-performance culture and engaging teams through the organisation. Since the launch of our Leadership Academy, we've remained steadfast in our commitment to develop human and accountable leaders. In FY24, we augmented the programme with Leadership Essentials, a new course designed to equip leaders with the insights, skills, and resources to drive accountability and high performance.

> **Culture is the heartbeat of our organisation. We take the time to understand and care for each other.**
>
> **Gary Charlton,**
> Sales Director, Medium segment

Aimed at all people managers, we delivered intensive workshop training on "Leading extraordinary teams" to over 1,600 colleagues, which focused on upskilling leaders to raise the performance bar for themselves and their teams. This was underpinned by newly developed leadership principles to inspire action and drive results.

We also updated our performance development framework, to create more distinction in the way we rate our colleagues' performance, and ensure colleagues receive tailored feedback, development, and reward. In addition, we created a high-performance culture scorecard for senior leaders. And lastly, we adjusted all elements of performance-related pay at Sage, to focus all colleagues on global targets, and encourage and reward high performance.

Q How is Sage raising AI literacy amongst its colleagues?

We're adapting the way we work at Sage, and constantly striving to work with more efficiency, productivity, and agility. Generative AI is an incredibly exciting and powerful technology and we're using it to elevate human work, not only for our customers, but also to free up time for our colleagues to focus on higher-value work. During the year, we made Microsoft Copilot available to employees across the organisation and held a series of webinars with practical tips on how to maximise its potential and assist colleagues with their day-to-day work.

We held a dedicated session on how to "work smarter" with AI during our colleague learning week, receiving high levels of engagement and demonstrating our strong commitment to continuous learning and career development.

We also created an early access programme for Microsoft Copilot for 365 and assessed usage to better understand the value added—whether that be time saved per activity or better assisting particular groups such as those who identify as being neurodivergent. We learned that usage is highest in Outlook and Teams, leading to higher productivity and efficiency through the automation of manual and repetitive tasks. We will use the learnings from this assessment to inform future rollouts and learning pathways.

Q What are the priorities for the year ahead?

Delivering for our customers requires us to constantly challenge ourselves to be better every day. Driving high performance with increased focus on the pace of execution is critical. We will achieve this by creating teams that operate with lean and effective structures and a relentless focus on our customers, managed by outstanding people leaders who achieve great results—providing enhanced levels of candid feedback and clarity, in a safe environment, whilst demanding excellence.

Our priority is to shape our organisation and drive growth by continuing to invest in our talent and by embedding a high-performance culture. We are establishing a path to become more digitally enabled, and improving our workspaces to inspire innovation and collaboration. We'll continue to provide colleagues with learning courses and pathways, including on using generative AI tools to increase productivity and help develop their careers.

In FY25, imperative to achieving success, we will continue to evolve our operational excellence, reinforce our purpose-driven culture, innovate with adaptive technology, and create more agile teams.

Key people measures

A number of key metrics help us keep track of how we're progressing:

76

eSAT

How happy our colleagues are working at Sage (FY23: 76).

4.0

Overall Glassdoor Score

Based on independent reviews from our colleagues (FY23: 4.1).

51%

Internal fill rate

How successfully we're providing colleagues with the opportunities to develop their career at Sage (FY23: 42%).

Glassdoor UK

2024

Earned a place on Glassdoor's UK Best Places to Work 2024 list.

13%

Forbes World's Best Employers 2023

Placed in the top 13% of all large blue-chip employers on the Forbes World's Best Employers 2023 report.

Gold

Brandon Hall Group

BeInnovative! e-learning program received the gold HCM Excellence Award from Brandon Hall Group.

Won

CRN UK Best Diversity Recruitment Initiative of the Year Award

Won the CRN UK Best Diversity Recruitment Initiative of the Year Award in recognition of the Partner Academy and the recruitment support provided for partners by Pathways.

Read about our DEI achievements in 2024 on page 28

Achieving high performance

We want Sage to provide an inclusive environment where our people feel energised to deliver extraordinary outcomes through productive, efficient, and streamlined ways of working. Guided by our Values, Sage colleagues work towards high expectations and high levels of performance every day—for our customers, our teams, and our business.

Journey to a high-performance culture

During the year, we took steps to engender and embed a high-performance culture, supporting the delivery of our evolved strategy and the continued success of Sage. Recognising that achieving extraordinary outcomes starts with clear direction and shared goals, we reviewed our goal setting and performance framework, delivered best-practice training, and enhanced our colleague communications, with a focus on driving accountability, feedback, continuous learning, and customer-centricity.

Through our Objectives and Key Results (OKR) framework, colleagues set and measure clear, shared goals aligned with Sage's strategic ambition, priorities and target outcomes. To drive the delivery of these goals, we developed a set of leadership principles, which every people manager is expected to use to lead their teams.

These are:

- Set a clear purpose and direction;
- Inspire;
- Create outstanding environments; and
- Deliver.

Supporting the implementation of these principles, our senior leaders co-delivered 80 in-person "Leading Extraordinary Teams" sessions to over 1,600 people managers. These workshops focused on creating a culture of accountability, managing performance with honest, actionable feedback, and creating a results-driven organisation to support growth.

We also made several changes to our performance and development framework, including an expanded performance rating scale together with an evolved global targeted approach to reward. Our ambition is to create a more holistic approach to performance management, with people managers having continuous performance conversations with their teams throughout the year.

Developing potential and enhancing performance

Sage is focused on building an inclusive, high-performing, and human culture, empowering colleagues to execute our strategy and create brilliant experiences for customers. Our support networks, coupled with access to resources and learning opportunities, drive strong working relationships and help our colleagues to unlock their full potential.

We are committed to building and strengthening our diverse talent pipeline, through actively prioritising internal talent to fill vacancies, emphasising opportunities for those in early careers, and promoting colleague development via our Learning Academies (including Data, Cloud, Innovation, Marketing, and Leadership).

Through secondments, interim assignments, and voluntary special projects (gigs), colleagues are empowered to diversify their skillsets, learn new crafts, and strengthen their

High-energy, interactive, and thought provoking throughout. The workshop also focused on the wonderful theme of continuous feedback. I enjoyed learning about the ways that we can work together to make the organisation we love even better.

Sage Leader

competencies. 78% of colleagues have used our internal career development platform "Talent Marketplace", to help design their career path and find a mentor. This helped us to achieve a 51% internal fill rate of vacancies in FY24, an improvement of nine ppts compared with the prior year.

Building a strong talent pipeline starts with attracting the best people into our entry-level positions. In FY24, we welcomed 301 early careers colleagues, and expanded our two-year "Sage Ignite" development programme, originally designed for graduates and apprentices in our Product function, to all early career colleagues across the Group. Sage Ignite focuses on core behaviours and role-specific learning as well as skill-building activities, such as hackathons, enabling colleagues to grow as leaders and become experts in their field. Now in its eighth year, and with an NPS of +47, the programme has grown to over 200 graduates, interns, and apprentices today.

Our "Pathways" programme has been instrumental in helping individuals facing employment barriers, including those with disabilities, returning professionals, and veterans. Sage Pathways promotes inclusion and offers valuable work experience across a range of functions. Colleagues receive training and development, as well as support and coaching, helping create new opportunities for individuals.

In FY24, we launched DataCamp, an online subscription that helps colleagues build data literacy through interactive exercises and real-life examples. Colleagues were able to access this resource to build knowledge and understanding in areas such as data science, AI, and machine learning, across multiple proficiency levels. We are investing in resources such as DataCamp to help drive a strong understanding of these fundamental skills across the organisation.

We seek to build a diverse pipeline of talent throughout the organisation. In our Product teams, we partnered with Amazon Web Services on its "CloudUp for Her" programme, providing an opportunity for 176 female colleagues to achieve an industry-recognised AWS certification in Cloud Practitioner Essentials. The certificate has been carefully curated for entry-level global knowledge on AWS's cloud infrastructure and core services.

We have also built an online community called the "Innovation Academy", where colleagues can engage directly with our Innovation Team. The Innovation Academy holds workshops and learning spaces, where colleagues can learn about our AI services, technology, and products, from the people who built them. Our self-paced innovation course, BeInnovative! e-Learning, received the gold HCM Excellence Award.

Since launching the Leadership Academy in FY23, nearly 800 colleagues have taken part. The Leadership Academy explores concepts such as ensuring the right talent is aligned to the right roles, execution of our strategy, and coaching for high performance.

104
VP and Directors
Senior Leadership Programme

96
Directors
Leadership Essentials

367
People Managers
Manager Essentials

217
Non-people Managers
Aspiring Leaders

Everything I needed to perform my duties to the best of my abilities was provided. I thrived through my Sage Pathways internship, and I continue to thrive as a permanent Sage colleague.

Zoe Shongwe,
Technical Support Agent

Our people and culture continued

Case study: Promoting internal talent

Emilie joined the procurement team in the Paris office, and after four years in this role was curious to explore other functions within the organisation. Emilie secured a six-month secondment within Customer Services, as the Business Executive to our Executive Vice President (EVP) Customer Support Operations, which then became a permanent role. A year later, her she took on a new 12-month secondment as an Execution Director within Customer Support, acting as people manager. By taking on new secondments, Emilie was able to embark on new developmental opportunities and redefine her career path into new fields.

"Internal mobility and promotions are encouraged and sponsored by leadership. I'm glad to be surrounded by leaders who care for and trust colleagues with projects and roles that help them develop."

Emilie Dupont
Customer Services at Sage

How we engage and retain our talent

Engaged colleagues have a deep understanding of our strategy and direction, and are supported by an inclusive, productive and rewarding working environment. During the year, we hosted strategy and customer enablement sessions, attended by over 1,000 employees, offering insights to tools such as our Customer Hub, and helping colleagues to link their day-to-day work with our strategy.

We continue to ensure we are listening to colleagues. In FY24 we received a strong response rate of 85% to our colleague "Pulse Survey", resulting in an eSAT (employee satisfaction) score of 76, against a benchmark of 77. Key strengths highlighted in the survey included psychological safety, excitement for the future, and manager

Our DEI achievements in FY24

#23
KPMG's FTSE Women Leaders Review
Sage ranks #23 in the FTSE 100 Women on Boards and in Leadership rankings (FY23: we were ranked #30).

41%
Gender Diversity target[1]
the number of leadership teams meeting our gender diversity target (FY23: 34%).

4.2
Glassdoor DEI Score
how inclusive we are as an organisation. Score of 4.2 (FY23: 4.3).

#31
Financial Times—Diversity Leaders 2024
#31 of 850 European companies.

22%
Colleague Success Network
22% participation (FY23: 18%).

#137
Forbes —Top Employers for Women 2024
#137 of 400 companies globally.

Additional information on our progress against our DEI targets can be found in the Sustainability and Society Report on page 32

#48
Equileap—Gender Equality Report
#48 of 3,795 companies within developed markets.

1. Gender diversity target of no more than 60% of men, women, or non-binary people in any leadership team by the end of FY26.

feedback. The results showed that manager and colleague relationships are more honest and transparent when derived from clear feedback and a better understanding of priorities, enabled by our OKRs framework. Our colleagues speak positively about their ability to find new and improved ways of working and better collaboration within their teams.

At Sage, it is our diversity that make us better and stronger. Diversity, Equity, and Inclusion continue to be part of our strategic direction for attracting, nurturing, and retaining colleagues of all races and ethnicities, building an inclusive workplace where everyone can belong and thrive.

In FY24, we continued our self-declaration data gathering project, 'All About Us', resulting in 64% participation across our 10 eligible countries, with over 80% participation in the UK, Ireland, USA, Canada, and South Africa.

Sage joined the steering committee of the 'Change the Race Ratio', a group of business leaders working together to increase racial and ethnic representation on UK boards and leadership teams.

Our Colleague Success Networks (CSN) reached 22% participation (FY23: 18%) and we welcomed a new network—the Veteran Network—aiming to connect, support and champion Sage's military veteran community and their families (in the UK).

We support our colleagues through investing in their wellbeing, helping to equip them with the tools and resources they need to perform to their best.

To further support our four key pillars of wellbeing—healthy mind, healthy body, healthy finances and healthy communities—we expanded the availability of Cleo, a comprehensive mobile app designed to help colleagues thrive by better balancing family, health, and work. The Cleo app is free to colleagues globally. We also launched a parental leave returners programme, designed to help prepare leavers on their parenting journey and help returners transition back into the organisation.

Our progressive hybrid working approach continues to balance human connection with flexibility, augmented by the introduction of our next-generation offices, which create workspaces that inspire colleagues to connect, collaborate and perform. These spaces reflect our Values and encourage work to flow. They include amenities that are designed for everyone, as well as being sustainable, contracting sustainable buildings and aiming to reuse 80% of furniture, ceiling, lighting, and cabling.

Our workspaces are conceptually split into three zones:

- **Community—**the beating heart of the workplace to relax, dwell, convene, and engage
- **Activity—**a range of spaces for connecting and working together, in-person and remotely, and,
- **Team—**anchor points for teams and functions, with spaces to work together and alone.

During the year, we opened next-generation offices in Winnersh (UK), Sydney and Toronto. Our future workplace vision is becoming a reality, bringing our colleagues back together again, and creating human connections that help to drive productivity and innovation.

Sage gender and ethnicity balance

		Board	ELT[1]	ELT and Direct Reports[2]	All colleagues[3]
Number of people		**10**	**10**	**90**	**10,740**
Gender	Female	**4**	**4**	**48**	**4,567**
	Male	**6**	**6**	**42**	**6,087**
	Non-Binary	**–**	**–**	**–**	**25**
	Undisclosed	**–**	**–**	**–**	**61**
Ethnicity	Asian	**2**	**–**	**6**	**460**
	Black/African/Black S.African/Caribbean/Black British/ African American	**–**	**–**	**3**	**255**
	I do not wish to self-identify my race or ethnicity	**–**	**–**	**3**	**209**
	Indigenous	**–**	**–**	**–**	**107**
	Multiple Ethnic Groups	**–**	**–**	**1**	**124**
	Other Ethnic Group	**–**	**1**	**2**	**86**
	White	**8**	**9**	**58**	**3,040**
	Undisclosed	**–**	**–**	**17**	**6,459**

Date as of 30 September 2024

1. Steve Hare and Jonathan Howell are included in both the Board and ELT data. The gender balance of our ELT, excluding Steve and Jonathan, is four female and four male.
2. ELT and their direct reports include ELT members and those for whom they have direct line management responsibility, excluding administrative and support roles.
3. Total number of colleagues of 10,740 excludes 57 contractors and includes eight Non-executive Directors.

The Multiplier Effect

Strategy and materiality overview

In FY24, we continued to deliver on our Sustainability and Society strategy and Sage's purpose: knocking down barriers so everyone can thrive. We focused our efforts on operationalising sustainability and progressing our commitments and targets across the three pillars of our Sustainability and Society strategy: Protect the Planet, Tech for Good, and Human by Design. We focused on embedding sustainability into our operations, products, and culture.

Our strategic direction reflects our role in society, and was informed by the double materiality assessment conducted in 2023. Our reporting continues to be focused on the eight most material topics from the assessment, including innovation to empower customers and SMBs, cyber-security and data privacy, climate change, DEI, colleague development and retention, local community investment and support, AI and Data ethics, and digital equality. In FY24, we continued to monitor our material topics their interconnections, to ensure our strategy remains focused and relevant.

Engaging stakeholders, particularly our colleagues, customers and suppliers, is fundamental to how we operationalise sustainability. In FY24, we created a Responsible Business Language playbook, rolled out 'anti-greenwashing' learning for core functions, expanded our Sustainability and Society masterclasses for SMBs to France, Germany, and Spain, and strengthened our engagement with our top 100 suppliers to support them on their sustainability journey. Taking action starts with our colleagues, but the impact we create spreads across our stakeholder groups, and beyond. We call this 'The Multiplier Effect'.

Snapshot of our 2024 highlights

- We ranked #59 amongst 500 global companies in the World's Most Sustainable Companies 2024 list by TIME Magazine and Statista.
- For a second year running, Sage was in the 2024 Financial Times Europe Climate Leaders list.
- The Science Based Targets initiative (SBTi) validated Sage's net zero target.
- Launched our Data for Good website.
- Launched Path for Growth: Bridging the SME Sustainability Reporting Gap report at COP28 with recommendations for governments and standard-setters.
- Conducted our first human rights saliency assessment.
- Sage was rated one of the UK's Best Places to Work by Glassdoor.
- Sage was ranked amongst the Top Employers for Women by Forbes.

For further detail visit: www.sage.com/en-gb/company/sustainability and-society

FY24 Sustainability and Society Report

FY24 Climate Change Report

FY23 Materiality Methodology

1,210
sustainability learnings delivered to colleagues, supporting increasing internal capability

1,642
young people inspired to explore a future in tech through Teens in AI

13,420
small business owners benefitting from loans, grants and support through our partnership with Kiva

159,714
volunteering hours

$644,858
funds raised to help our communities thrive

Protect the Planet

Performance against targets

Sage to net zero	Achieve net zero by 2040 and reduce absolute Scope 1, 2, and 3 GHG emissions by 50% by 2030, from a 2019 base year, aligned to SBTi	On track
Support SMBs in achieving net zero	Help our customers reduce their GHG emissions by 2030 by providing access to carbon management solutions and expertise	On track
Policy and advocacy for SMBs	Put SMBs at the forefront of the transition to net zero by making sure their voice is heard and lobbying for simplified standards	On track

Key FY24 achievements

Getting Sage to net zero

- We achieved a 'leadership' CDP Climate Change rating of A- (2022: B) and CDP Supplier Engagement of A- (2022: C).
- Our Net Zero 2040 target was successfully approved by the SBTi. We have progressed well against our interim targets, which were validated by SBTi in 2023; 75% reduction in absolute Scope 1 and 2 GHG emissions (Target: 50% by 2030); 13% reduction in absolute Scope 3 GHG emissions (Target: 50% by 2030); 15% reduction in absolute Scope 3 GHG emissions from homeworking, hotel stays, and use of sold products (Target: 50% by 2030).
- We have reduced our market-based Scope 1, 2 and 3 emissions by 16.6% versus our 2019 baseline. Against an overall improving trend since FY21, emissions decreased by only 0.3% in FY24. The smaller reduction against our SBTi glidepath was caused by a combination of increased business travel, a rise in property related supply chain spend and an increase in external carbon intensity factors across the key markets of UK, USA, France and South Africa. Despite this smaller decrease, we remain confident in our transition plan, recognising that the path to net zero is not linear. Sage will continue to manage the risk of increased business travel, while monitoring external impacts including increasing carbon intensity factors, adjusting our response accordingly.
- We launched a sustainable commuting and lift-sharing pilot in Newcastle and Dublin, supporting colleagues in reducing commuting emissions. A global rollout is underway.
- We launched a personal carbon tracker app for colleagues across our global sites. By combining education and action through the app we can help colleagues to better understand their personal footprints and provide guidance on what they can do to reduce their impact.
- Acknowledging the interconnections between environmental risks, we have continued to work with the Planetary Accounting Network to apply the Stockholm Resilience Centre's planetary boundaries approach.

Supporting SMBs in achieving net zero

- We launched a product life-cycle assessment (LCA) methodology to improve emissions accounting.
- Sage Earth was made available in AWS Marketplace in the UK and Ireland, with plans to extend to North America and across Europe over the next 18 months.
- Sage's Sustainability Masterclasses have been expanded and are now available in France, Germany and Spain.

Advocating for enabling policies and standards

- Following the launch of the Path for Growth report at COP28 which highlights the barriers to reporting that SMBs face, we have continued to be engaged in the EU's public consultation on the Corporate Sustainability Reporting Directive (CSRD) Voluntary Standard for SMBs.
- Partnered with Bankers for Net Zero for a second year, where we can help unlock access to capital by automating GHG emissions reporting for SMBs in the UK.
- We continued our partnership with the World Business Council for Sustainable Development (WBCSD).
- Together with the International Chamber of Commerce (ICC), we have been advocating and championing the importance of SMBs in the climate agenda for many years now. We took part in COP29 and welcomed H.E. Ms. Nigar Arpadarai , UN Climate Change High-Level Champion's decision to place an official focus on SMBs.

What's next

In FY25, we will remain focused on delivering progress against our net zero transition plan. We will roll out climate training and engagement programmes globally, as part of the ambition for 1,500 colleagues to complete our Sustainability Learning offering in the year ahead. We will continue to apply the Taskforce on Nature-related Financial Disclosure's (TNFD's) LEAP framework and assess and report on our nature-related risks. Post COP29, we will continue to engage with governments and industry bodies on streamlining reporting for SMBs.

For further information on TCFD please refer to pages 35 to 42

For further detail visit: www.sage.com/en-gb/company/sustainabilityand-society

FY24 Sustainability and Society Report

FY24 Climate Change Report

FY24 ESG Databook

Tech for Good

Performance against targets

Data for Good	Support SMBs and advance the UN Sustainable Development Goals (SDGs) by using our data to create visualisations (reports, trends, analytics) that can inform better decision making by 2025	On track
Build Digital Trust	Expand our Trust and Security Hub to support SMBs in going digital safely by 2025	On track
	Embed Data and AI Ethics Principles into the fabric of Sage by 2025	On track
	Cloud products to meet Web Content Accessibility Guidelines (WCAG) criteria by 2025	On track
Empowering entrepreneurs	Support 34,000 under-served entrepreneurs to scale and grow their businesses and equip 33,000 individuals with skills for greater opportunities through Sage Foundation by 2024	Exceeding

Key FY24 achievements

Data for Good

Innovation to empower customers and SMBs

- We published our Small Business Tracker reports to multi-stakeholder audiences. The tracker is based on a large data set showing how UK SMBs are performing in the current economic climate—supporting their contribution to the UN Sustainable Development Goals (SDGs).
- We launched the Data for Good web page on Sage.com. Bringing together subject matter expertise, including insights from Smart Data Foundry and the Centre of Economic and Business Research, this information hub will ensure that robust data analysis is accessible to SMBs.

Building digital trust

Cyber security and data privacy

- We continue to expand and improve our Trust and Security Hub, designed to give customers confidence their data will be protected and also support them in keeping their businesses secure.
- We completed the first two phases of a project to expand the Hub for SMBs to 'go digital safely'. The first phase included making the Hub available on sage.com, with advice and guidance for businesses in the UK and US. The second phase included localisation into French, German, Portuguese, and Spanish markets, and new content about AI and data ethics and how Sage builds AI products responsibly.

AI and data ethics

- Our AI and Data Ethics policy and principles were introduced in the business via the ethics governance framework. The objective is to ensure that ethics are routinely considered as part of data and AI development.
- The management level AI and Data Ethics Council was integrated with our Sustainability and Society Committee, recognising the importance and interoperability between sustainability and AI. Our new Sustainability, AI, and Data Ethics Committee provides strategic direction and ensures that AI and data ethics targets, objectives, and supporting programmes remain relevant, ambitious, and on track for delivery.

Digital equality

- In the last two years, four Sage products (Accounting Individual—UK, Experience Platform—My Sage, SBC —UK, SFA Client Management —UK) have passed WCAG 2.1 grade AA automated tests.
- More than 350 developers undertook mandatory accessibility training.

Empowering entrepreneurs

Local community investment and support

- Following stakeholder engagement, we evolved our Sage Foundation strategy, moving from a dispersed grants model towards a more focused, impact-driven model
- More than 30,000 small business owners have benefited from our partnership with Kiva over the last three years.
- 25 BOSS Network women received grants, mentorship and training.
- Sage Foundation saw 159,714 hours volunteered and $644,858 raised to help our communities thrive in FY24.

What's next

Through the Tech for Good pillar, we continue to champion data protection and security. We are integrating ethical considerations into the Sage product development lifecycle. On web content accessibility, the focus will be on additional human audits to ensure we capture and tackle the variety of accessibility needs. With regards to new products and acquisitions in FY25, we will set a plan for achieving accessibility by ensuring we follow the same roadmap set out for our existing products. Through Sage Foundation, we will scale our skills programmes further, to help equip more people with the skills and technology they need to thrive. We are aiming to involve 10,000 students in the 2025 FIRST® LEGO® League in the UK and 4,000 students globally via Teens in AI in the next two years.

For further detail visit: www.sage.com/en-gb/company/sustainabilityand-society

FY24 Sustainability and Society Report

FY24 ESG Databook

Human by Design

Performance against targets

DEI	Achieve representation of no more than 60% of men, women, or non-binary people in any leadership team by the end of FY26	On track
	Increase 'All About Us' participation to 65% across 10 participating countries by 2024	On track
	Foster a greater sense of belonging and inclusion with 20% of colleagues actively participating in the Colleague Success Network by 2024	Exceeding
Future Fit Work	Connect 70% of colleagues to our internal Talent Marketplace, increase internal fill rate to 45% by 2023	Completed
	Colleagues to complete 5,000 Future Fit learnings by 2025	On track
	Achieve a 20% YOY increase in Pathways hires up to 2025, with 500+ people receiving work readiness training each FY	Off track
Wellbeing	Roll out our Colleague Assistance Programme to all countries by 2024	Completed
	Double the number of Healthy Mind coaches by 2025	Exceeding

Key FY24 achievements

Diversity, Equity and Inclusion

- Sage was listed as a Top Employer for Women by Forbes and in the Financial Times Diversity Leaders 2024 Ranking.
- Currently 41% of leadership teams are reaching our target to achieve representation of no more than 60% of men, women, or non-binary people in any leadership team by the end of FY26.
- In line with the Parker Review—a framework for the ethnic diversity of UK boards—we have set ourselves a target of 20% of our Executive Leadership Team (ELT) and their direct reports to be from an historically underrepresented race or ethnic group. We began FY24 at 11% and finished at 16%, with an 83% self-declaration rate.
- We have added a new Inclusion Network in South Africa. With 18 global Colleague Success Networks now in place around the world, a centralised network leader role was introduced to support consistent governance.

Future Fit Work

- Investing in a high-performance growth culture, strong working practices and the next generation of talent is an ongoing priority. We call this 'Future Fit Work'.
- Over 4,367 Future Fit learnings accessed by colleagues, helping to develop colleagues with essential skills.
- We rolled out sustainability education resources globally, integrating more than 400 sustainability learning videos for colleagues into our Sage Learning platform.
- We hired 25 colleagues through the Pathways programme.

Wellbeing

- We merged the Wellbeing and DEI teams in FY24 and we appointed an ELT Ambassador for Wellbeing, to ensure wellbeing is embedded more deeply into the business.
- We successfully expanded our Employee Assistance Programme to cover 100% of our regions, meaning all Sage colleagues can now enjoy the same access to emotional, financial, physical, social and workplace wellbeing support.

What's next

Building on successes and learnings in 2024, we will integrate objectives around equity by design into our people development processes and enhance leadership and allyship training. We will also further expand our data capture processes, with a focus on India's recent entry to 'All About Us'.

For further detail visit: www.sage.com/en-gb/company/sustainabilityand-society

FY24 Sustainability and Society Report

FY24 Gender Pay Gap Report

FY24 Ethnicity Pay Gap Report

FY24 ESG Databook

Sustainability by Design

Sustainability by design underpins our strategy as it sets our ambition to integrate sustainability into everything we do.

ESG Principal risk

- The Global Risk Committee oversaw the evolution of the ESG Principal Risk, including the assessment of risk appetite, integration of controls and mitigating actions required to manage ESG as a Sage Principal Risk.
- We developed an ESG Risk Register, which included detailed risk and opportunity mapping of material sustainability topics within Sage's enterprise risk management framework. Separate risk registers were created for climate change and human rights.

ESG Due diligence

- We incorporated anti-financial crime risk into our third-party due diligence framework. We also implemented a series of controls for identifying and mitigating risks related to competition law, and we updated policies on Sanctions and Anti-Bribery and Corruption, in line with annual data analysis to identify territories of objectively higher risk.
- In FY24, we extended the scope of our Sustainable Supply Chain strategy, including enhanced supplier due diligence on human rights and labour relations. This requires potential new suppliers to complete an ESG questionnaire which informs selection. We have begun engaging additional suppliers as part of the contract renewals and requests for proposal process. This process has been enhanced through investment in resources to further learning and upskilling of the Procurement Function.

Building internal capabilities

- Engaging stakeholders, particularly colleagues, SMBs and suppliers, is fundamental to how we operationalise sustainability. To support colleagues with this engagement, we created a Responsible Business Language playbook to reinforce the importance of substantiating sustainability claims. This was supported by 'anti-greenwashing' learning for marketing and corporate affairs teams.
- Sustainability Week and our first Climate Challenge were calendar highlights, featuring insights from Sage colleagues and external experts.

Addressing Human rights

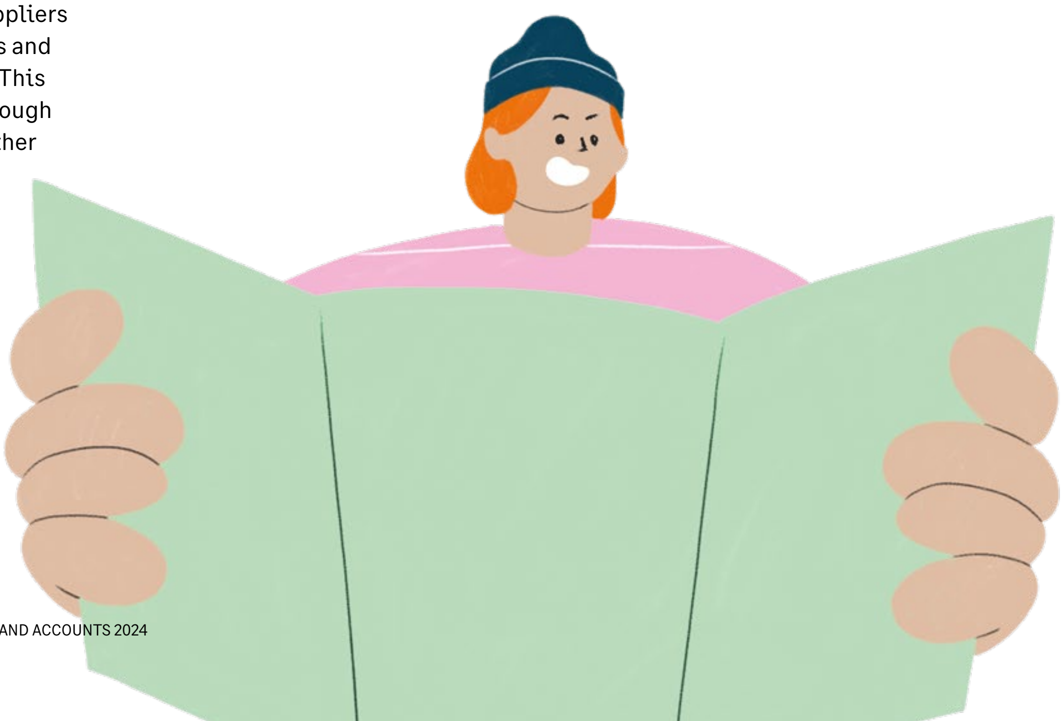
- Working with Business for Social Responsibility (BSR), we conducted our first human rights saliency assessment. Whilst the assessment showed that our overall human rights risk profile is low, it identified potential risks that align with Sage's existing risks and material topics such as cyber security and data privacy, product accessibility, and AI and data ethics.

Avoiding greenwashing

- We've created a 'sustainability claims playbook' for colleagues to identify and prevent green- and social-washing. The playbook contains a set of guidelines designed to promote transparency, integrity, and credibility in how we talk about sustainability related topics within our communications. The content is aligned to guidance set out by the UK Competition and Markets Authority.

What's next

We will further embed sustainability into our policies and into our ongoing due diligence processes for suppliers, new partners and mergers and acquisitions. We will strengthen how we communicate our human rights approach based on the findings of our human rights saliency assessment and support colleague understanding on a range of sustainability topics. In the light of regulations such as the EU CSRD, we will continue to review our sustainability impacts, risks and opportunities and map these against our Principal Risks.



The Task Force on Climate-related Financial Disclosures

Compliance Statement

FCA Listing Rules

In this report, we set out our climate-related financial disclosures consistent with the Task Force on Climate-related Disclosures (TCFD) recommendations and recommended disclosures pursuant to Listing Rule 6.6.6 (R) (8). This includes all four TCFD pillars and the 11 recommended disclosures in "Implementing the Recommendations of the Task Force on Climate related Financial Disclosures'' published in October 2021 by the TCFD. In completing this work, we made use of TCFD guidance material, including: the TCFD technical supplement on the use of scenario analysis; TCFD Guidance on Metrics, Targets, and Transition Plans; and the TCFD Guidance for All Sectors. We are reporting against the TCFD framework in line with FCA Listing Rules.

In FY25, we plan to continue our progress in understanding and reporting against all four pillars of TCFD. We aim to further our understanding of how Sage's climate risks and opportunities could financially and operationally impact the business, take advantage of climate opportunities and manage climate risk.

More information on Sage's FY24 progress, FY25 priorities, as well as a summary of how we are consistent with TCFD recommendations, are outlined in the table below.

Further detail regarding our transition plan, Sustainability and Society strategy, and wider Sage sustainability activities is in our FY24 Climate Report and FY24 Sustainability Report

Companies Act 2006

Our disclosure also meets the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 amended sections 414C, 414CA, and 414CB of the Companies Act 2006.

UK Climate-related Financial Disclosures (CFD)

Sage is consistent with both the mandatory climate-related financial disclosure requirements under UK CFD, as well the TCFD recommendations, recognising nuances exist between them. Under the Strategy pillar, we outline our rationale for the chosen scenarios used to assess the resilience of our business to climate, and our timeline for refreshing this analysis, so we continue to monitor how a changing climate may impact Sage over time.

TCFD Compliance Status

TCFD recommendation	Summary and FY25 priorities
Governance	
a) Describe the board's oversight of climate-related risks and opportunities. • Governance page 75	**Fully consistent with TCFD recommendations** The Board is accountable for our approach to climate-related risks and opportunities and approves sustainability-related policies. The Board is ultimately responsible for setting the Group's risk appetite and for risk management and internal control systems, delegating authority to the Audit and Risk Committee (ARC) in setting the Group's risk appetite and implementing appropriate oversight of risks, including climate, sustainability and ESG matters. Updates on sustainability matters, including those that relate to climate change, are provided to the Board and ARC via management. For example, the Board received Sustainability updates via board papers at multiple points over FY24, which included an overview of Sage's Sustainability and Society progress against key targets, updates on Sage's "Protect the Planet" action plan, and a summary of trends in the sustainability space and how these may impact Sage's strategy. Additionally, the ARC received more detailed climate-related updates in FY24, focused on disclosures and our climate governance approach. **FY25 priorities** We will continue to monitor the updates and training programmes in place for the Board and Executive Leadership Team (ELT) as part of our Sustainability and Society strategy, including briefings, progress updates and formal training sessions.
b) Describe management's role in assessing and managing climate-related risks and opportunities. • Risk governance—page 64 • Board activities—page 93 • Directors' Remuneration Report—pages 116 to 155	**Fully consistent with TCFD recommendations** The CEO and ELT are accountable for the Group's climate strategy and approach to TCFD. The EVP of Sustainability and Society is responsible for the implementation of Sage's "Protect the Planet" strategy, including assessing and managing climate-related risks and opportunities, with oversight from Sage's Sustainability, AI and Data Ethics Committee. The Sustainability, AI and Data Ethics Committee meets quarterly and communicate progress on the Protect the Planet pillar. Sage's Sustainability, AI and Data Ethics Committee includes a subset of ELT members. Maggie Chan Jones is Sage's designated Non-executive Director to provide specific Board oversight on the ESG agenda. The CEO and ELT receive a debrief after each Sustainability, AI and Data Ethics Committee meeting with key updates, matters discussed, and actions. This informs updates provided to the Board by the CEO. A proportion of the Executive Directors' and ELT's Performance Share Plan awards each year are driven by strategic non-financial measures; in FY24 this continued to include measure relating to climate (see our Remuneration Policy on pages 129 to 136). **FY25 priorities** We will continue to review how we report and share climate-related matters with the management committees, including how they are integrated into strategic plans, performance metrics, reporting and acquisition due diligence processes. With the sustainability disclosure landscape evolving, Sage is also exploring how climate-adjacent impacts, such as nature and wider sustainability matters, can be governed in a similar way to climate, to ensure effective and efficient governance across adjacent subject matters.

TCFD recommendation	Summary and FY25 priorities
Strategy	
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term • See climate risks and opportunities table on pages 41 and 42	**Fully consistent with TCFD recommendations** Reflecting on our progress outlined in our previous disclosures, we continue to improve our understanding, through the use of climate scenario analyses, of climate-related risks and opportunities across multiple time horizons, and aim to develop a holistic understanding of how climate change may impact aspects of Sage's business strategy, operations, and finances. The outcome of this work has supported Sage in identifying climate-related risks and opportunities relevant to Sage (see page pages 41 and 42 for further details) and their potential impact to Sage (see Strategy Pillar disclosure 'b' and 'c'). In FY24, our climate-related risks and opportunities remained consistent with previous years. As a result, we have sought to further understand the impacts that climate change can pose to Sage and decarbonisation glidepaths. We have further analysed two existing transition risks: the cost of carbon strategy, and the current cost of renewable energy procurement to reduce Scope 2 GHG emissions. Additionally, Sage received validation of its Net Zero Transition Plan by the SBTi, confirming our robust approach to decarbonisation. The outputs of this work have supported our understanding of the decarbonisation pathways available, and managing the associated risks and opportunities. **Further details about our key climate-related risks and opportunities are on pages 41 and 42.** **FY25 priorities** In line with best practice, Sage plans to refresh its climate scenario analysis during FY25. This may result in Sage's climate-related risks and opportunities evolving, and we will disclose the impact of these developments in future reports.
b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning • See climate risks and opportunities table on pages 41 and 42 • Further information can be found in our Climate Report	**Fully consistent with TCFD recommendations** Sage is well positioned to support global climate awareness and action through our products such as Sage Earth (Sage's Carbon Accounting offering), while managing our own climate-related risks and opportunities. In the table on pages 41 and 42, we provide an overview of our climate risks and opportunities. We are working with SMBs to amplify and scale our impact from role-modelling through our own sustainability journey to sharing our lessons learnt and skills. In FY24, we continued to roll out Sage Earth and launched our online Sustainability Masterclasses series. Through these initiatives, we are reaching more SMBs to engage them on sustainability and climate topics—knocking down some of the barriers they face for effective climate action. Reviewing the output of our TCFD-aligned climate change scenario analyses against Sage's strategy, business plan, and operations, we have not identified any material impacts on the Group's financial results, going concern, viability, businesses, or current strategy. However, impacts arising from climate change and its associated risks are constantly evolving, so we will continuously monitor and evaluate climate-related impacts and review them in line with our evolving business strategy (see note 1 of the Group financial statements on page 183). If Sage identifies material climate-related impacts in the future, as per our risk management framework, we will manage and prioritise these impacts based on their financial materiality. In FY24, we continued to deliver against our Net Zero Transition Plan, obtaining validation of our 1.5°C aligned 2040 Net Zero target from SBTi. Further details are outlined in our Climate Report www.sage.com/en-gb/company/ sustainability-and-society/. Similar to many of our peers, we acknowledge our emissions are concentrated across our supply chain (Scope 3 emissions) and continue to engage with our partners and suppliers to understand their plans to decarbonise, so that we can further align our Transition Plan. **FY25 priorities** We plan to advance our understanding of the financial-related impacts of Sage's climate risks and opportunities, including our transition plan, and integrate the outcomes into our strategy and financial planning, through a climate scenario analysis refresh in FY25.

TCFD recommendation	Summary and FY25 priorities
Strategy continued	
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	**Fully consistent with TCFD recommendations** In FY22, we analysed different climate scenarios to evaluate the most material physical and transition risks under high- and low-carbon scenarios: • Hosting resilience; • Damage to facilities; • Workforce productivity; and • Changing customer behaviour and needs. Our physical risk analysis was carried out using Representative Concentration Pathway (RCP) 2.6 (1.6°C–2°C), RCP4.5 (2.1°C–3°C), and RCP8.5 (3.1°C–4°C) scenarios, forecasting to 2050. We conducted the transition risk analysis using the NGFS "Below 2 Degrees" (1.7°C plus) and the "Current Policy" (3.0°C plus) scenarios, forecasting until 2100. We chose these scenarios to provide a range of possible climate outcomes: a fast transition scenario—in which transition risks are likely to be more pronounced; a "business as usual" scenario—that would lead to more severe physical risks. We acknowledge that the models used in assessing our risks are inherently uncertain and contain underlying assumptions, which affect their outcome. In FY23, we undertook further climate scenario analysis against the transition risk 'Changing Customer Needs and Behaviours and Needs', evaluating the economic impact of climate change across our customer base, evaluating customers in different geographies and sectors, and how relative GDP forecast performance may change against various climate scenarios (ranging from RCP 1.9 (below 1.5°C) to RCP 7.0). The output of this work has helped us to better understand and support customers who may be exposed to transitional climate risks. In FY24, we reviewed our existing scenario analysis and refreshed our assessment to take account of our evolving business. We have updated our physical climate scenario analysis for new Sage locations to ensure we understand our climate exposure today and in the future. Furthermore, we have evaluated the future cost of carbon, reviewing the options available to allow Sage to credibly neutralise any residual emissions in support of our 2040 net zero ambition. The output of this analysis ensures we have a consistent understanding of the risks and opportunities associated with our site strategy and have a holistic understanding of workforce impacts. In line with previous disclosures, the additional analysis undertaken during FY24 did not identify that climate is a material risk to Sage in the short- to medium-term. As such, based on our climate scenario analysis, Sage is currently not materially affected by climate-related impacts (including the Group's financial results, going concern, or viability). Recognising that as impacts arising from climate change are constantly evolving, we will continue to monitor and evaluate climate-related impacts, and review these in line with Sage's evolving business strategy. Sage has a range of measures and activities in place to manage identified climate change impacts, as detailed on pages 24 and 29 of our Climate Report. **FY25 priorities** We will conduct a full review and refresh our climate scenario approach, focusing on both impact quantification and better understanding how climate interacts with various touchpoints across the business.
Risk Management	
a) Describe the organization's processes for identifying and assessing climate-related risks. • Principal Risks and uncertainties—page 72	**Fully consistent with TCFD recommendations** Identification and assessment of climate risks is consistent with our approach to overall risk management. As above, the results of our climate scenario analysis indicate that climate-related risks are not currently financially material to Sage. In recognition of this risk's materiality relative to Sage's other risks, climate change is considered a 'sub-risk' to our ESG Principal Risk. An operational climate risk register feeds into our climate 'sub-risk' and helps to manage the individual climate risks and opportunities relevant to Sage. A summary of this risk register was disclosed in FY22, including information on the impact of our business, maturity of our assessment, relevant time horizons, and mitigation and adaptation plans. Over the past three years, we have refined and improved our understanding of Sage's climate risks and opportunities, using a combination of regulatory guidance, risk management processes, TCFD best practice and internal expert judgement. In line with emerging regulation (e.g. CSRD), we enhanced our climate-related risk identification processes and conducted a double materiality assessment in FY23. All climate risks and opportunities are assessed against our Enterprise Risk Management (ERM) framework, including inherent and residual risk, as well as setting a defined risk appetite. This has formed the basis of our programme of work, supporting us to better understand Sage's broader impact on the environment and emerging global regulatory requirements related to climate change as well as the related risks and opportunities. During FY24, we have increased our engagement with risk owners, conducting a bottom-up embedding and upskilling programme to support integration of risks across the business. This engagement has further refined our understanding of climate risks and their potential impact to Sage. **FY25 priorities** As the business grows and evolves, we will continue to support risk owners to manage climate-related risks and horizon scan for new and emerging climate-related risks. Additionally, as outlined in our Strategy disclosure, we will refresh and advance our climate scenario analysis. As a result of this, we may identify additional climate risks.

TCFD recommendation	Summary and FY25 priorities
Risk Management continued	
b) Describe the organization's processes for managing climate-related risks • Principal Risks and uncertainties—page 72	**Fully consistent with TCFD recommendations** Our ERM Framework helps Sage manage all risks, including ESG and related climate risks, which provides us with a consistent approach to the identification, assessment, management, and oversight of risks. This helps us to deliver consistently our strategic objectives and goals through risk-informed decisions. We seek to continuously improve the use and adoption of Sage's ERM Framework, to ensure it is not simply a process, but is integral to how we make decisions and work day-to-day. Using our ERM Framework, we expect all regions and functions to identify risks that could impact the successful execution of their strategy and operations while managing any risk exposure, ensuring appropriate controls and action plans are in place. The ERM Framework helps focus our efforts on the areas that matter most to Sage, providing clarity about risk tolerances and appetite to facilitate effective business decisions so Sage is adequately prepared to manage risks. Over FY24, we have sought to embed our identified climate-related risks across the business to ensure risk owners have sight of their most relevant risks and implement controls and action plans. **FY25 priorities** We will continue to consider and review how we engage with stakeholders across our business and the value chain to aid risk identification and management. We support this by delivering training on ESG risk management and related regulations with Sage's risk team and other key internal stakeholders.
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management. • Principal Risks and uncertainties—page 72	**Fully consistent with TCFD recommendations** Climate-related risks are managed as part of our ERM Framework. This helps us manage strategic, operational, commercial, financial, compliance, change and emerging risks and enables a consistent approach to the identification, management and oversight of risks. ESG is classified as a Sage Principal Risk, and in FY22 we added climate change as a sub-risk. Supported by our central Sustainability and Society team, functions across Sage are responsible for integrating climate-related risks within their respective areas of responsibility. For example, climate risks associated with cloud hosting are considered by the Sage Product team, whereas physical risks to the built environment resulting from extreme weather are considered by the Sage Property team as part of business continuity planning. **FY25 priorities** As part of our broader Sustainability and Society strategy, we will continue to review and identify opportunities to educate colleagues on the impact of climate change and what it means for Sage. Using the insights developed from climate scenario analyses, our education campaign will support colleagues to practically consider climate risk and opportunities as part of ongoing day-to-day and risk management activities.
Metrics and Targets	
a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process. • Further information can be found in our Climate Report	**Fully consistent with TCFD recommendations** Since 2018, Sage has been measuring and reporting on energy and carbon emissions, providing us with a robust baseline from which to plan our journey to net zero. **Group Net Zero targets** Our carbon emissions calculations are also subject to independent limited assurance. In June 2022, the SBTi validated our near-term 2030 commitment. In FY24, SBTi validated our commitment to become net zero by 2040. We have continued to reduce emissions against our target commitment. Since FY19 our market-based emissions have fallen by 16.6%, against an SBTi glidepath of 22.7%, reducing from 231,957 tCO_2e to 193, 430 tCO_2e in FY24. Our Net Zero Transition Plan www.sage.com/en-gb/company/sustainability-and-society/ outlines the specific actions that will be taken to achieve our near-term 2030 target. Our progress is tracked by targets and monitored through our climate risk register (our climate risks and opportunities can be found in the table on pages 41 and 42). **Related executive remuneration targets** In FY22, we introduced a set of three-year performance measures to include relevant ESG metrics. In FY23, additional targets were introduced, and the weighting of ESG measures increased from 15% to 20%, including progress in reducing carbon emissions against our SBTi-approved Net Zero Transition Plan, which now accounts for 7.5%. These targets continued to operate in FY24. Since the introduction of ESG-related performance measures in FY22 and FY23, our emissions have reduced by 5.3% and 0.3% respectively. Currently, our FY22 carbon reduction-related performance measures are on track to meet our threshold target. **Read more in our Directors' Remuneration Report on page 144** **Our most recent global emissions footprint is on page 11 of our Climate Report** **FY25 priorities** We will continue to monitor and review our climate targets and metrics, providing quantitative disclosures where appropriate.

TCFD recommendation | **Summary and FY25 priorities**

Metrics and Targets continued

b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

- Further information can be found in our Climate Report

Fully consistent with TCFD recommendations
Sage calculates and discloses emissions from Scope 1 and Scope 2, in compliance with Streamlined Energy and Carbon Reporting (SECR) regulations.

Scope 1 and 2 emissions: UK and global[1]	**Current reporting year Oct 2023—Sept 2024**		Previous reporting year Oct 2022—Sept 2023		Previous reporting year Oct 2021—Sept 2022	
Total GHG emissions data	**UK and offshore area**	**Global (excluding UK and offshore area)**	UK and offshore area	Global (excluding UK and offshore area)	UK and offshore area	Global (excluding UK and offshore area)
Emissions from activities which the Company owns or controls, including combustion of fuel and operation of facilities (Scope 1)/tCO_2e	**834**	**554**	196	1,030	250	548
Emissions from the purchase of electricity, heat, steam, or cooling by the Company for its own use (Scope 2 Indirect) Location-based emissions (tCO_2e)	**878**	**2,357**	738	2,518	652	2,853
Scope 2 (Indirect) Market-based emissions (tCO_2e)	**14**	**1,864**	13.3	1,395	6.1	2,035
Total gross Scope 1 and location-based Scope 2 emissions (tCO_2e)	**1,713**	**2,911**	933	3,548	902	3,401
Energy consumption* used to calculate above emissions (kWh)	**4,921,509**	**9,539,260**	4,217,496	12,202,282	4,276,721	10,479,910
Carbon intensity ratio: location-based CO_2e emissions reported above normalised to tCO_2e per total GBP £1,000,000 revenue (Scope 1 and 2)** (tCO_2e/revenue)	**3.6**	**1.6**	2.2	2.0	2.2	2.2

1. The table sets out Sage's mandatory reporting on greenhouse gas emissions and global energy use pursuant to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the SECR under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

* Energy consumption includes all energy use related to Scope 1 and 2.
** Global revenue in FY24 is £2,332m for Sage during the reporting period. It was £2,184m for the previous year's reporting period.

Sage also screens and discloses emissions across all relevant Scope 3 categories as covered within our SBTi target.

In FY24, limited assurance of our GHG report has been provided by Bureau Veritas; a copy of the statement can be found in our Sustainability and Society Report on page 43 www.sage.com/en-gb/company/sustainability-and-society. Further detail on our Scope 1, 2, and 3 GHG emissions and protocol aligned methodology and emissions can be found in our ESG Databook on page 4 www.sage.com/en-gb/company/sustainability-and-society.

Energy efficiency actions
Business travel: Air travel is the highest source of emissions within business travel (84%). In FY24 we enhanced our carbon emission's travel dashboard, through the addition of a shadow carbon price, to build awareness with colleagues as to the possible cost of carbon associated with business travel.

Colleague Engagement: Sage recognises the critical role that colleagues play in reducing our carbon emissions. This year, we launched a programme with Deedster to combine education and action through an app. This initiative seeks to help colleagues better understand their personal footprints and provide guidance on how to reduce their impact.

Property related: We continued to manage our sites effectively and efficiently in FY24 via our Sustainable Property strategy which seeks to improve the environmental characteristics and efficiency of our property estate. Sage has seen a year-on-year decrease of certified renewable energy, for FY24 Sage reaching 54%, compared with 68% in FY23. Examples of energy efficiency initiatives include a LED installation project at our Cobalt office.

Reduce, reuse, recycle: The IT department continued their 'Reuse', 'Resell', 'Recycle' policy. This involves collecting old equipment and ensuring it is upcycled and recycled. Sage sells the equipment to an external party and donates the proceeds to charity.

TCFD recommendation	Summary and FY25 priorities
Metrics and Targets continued	
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks continued**.** • Further information can be found in our Climate Report	Details of our Scope 1, 2 and 3 emissions can be found in the disclosure 'a' of the Metrics and Targets Pillar'. Progress against our emissions reduction target is monitored and managed through our the risks and opportunities detailed in our climate risk register (see pages 41 and 42). **Methodology** Our methodology underlying our disclosed emissions remains consistent with the previous year and is based on the "Environmental Reporting Guidelines: including mandatory greenhouse gas emissions reporting guidance" (March 2019) issued by the Department for Business, Energy & Industrial Strategy (BEIS). This methodology is consistent with the World Resources Institute's Greenhouse Gas Protocol (GHGP) Corporate Accounting and Reporting Standard. We have also used the UK government emissions factors for company reporting (published by BEIS in 2023), combined with the most recent International Energy Agency (IEA) international conversion factors (2022) for non-UK electricity within our reporting methodology. We have also used EcoAct's emission factors tool for Well to Tank (WTT) and WTT (Transport & Distribution) for non-UK sites as BEIS/DBT no longer publishes them. These emission factors are based on the specific fuel mix of each country's electricity generation. For Scope 3 emissions sources, we have used a combination of the Comprehensive Environmental Data Archive (CEDA version 6) and UK government greenhouse gas emission factors. As our data collection improves, we aim to collect more supplier specific data. Our purchased goods and services calculation has used supplier-specific data from the CDP Supply Chain questionnaire where relevant. Working with CDP and other partners we aim to increase the proportion further in subsequent years as more suppliers make use of this service. In some cases, we have extrapolated total emissions by using available information from part of a reporting period and extending it to apply to the full reporting year. For example, this has occurred where supplier invoices for the full reporting year were not available prior to the publication of this year's Annual Report and Accounts. Extrapolations have taken place based on a hierarchy of data availability in line with the GHGP guidance for carbon accounting. For further details, our methodology document can be found at www.sage.com/investors/. **Reporting period** Our Mandatory Greenhouse Gas reporting period is 1 October 2023 to 30 September 2024 and is aligned with our financial reporting year. **Organisational boundary and responsibility** We report our emissions data using an operational control approach to define our organisational boundary which meets the definitional requirements of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the UK Streamlined Energy & Carbon Reporting (SECR) regulations 2019 in respect of the energy consumption and emissions for which we are responsible. Under this approach, we have accounted for 100% of GHG emissions from operations over which Sage has control. **Carbon intensity** To express our annual emissions in relation to a quantifiable factor associated with our operational activities, we have used "annual revenue" in our intensity ratio calculation as this is the most relevant indication of our growth and provides for a good comparative measure over time.
c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets. • See Protect the Planet targets on page 31 • See Climate risks and opportunities table below • Further information can be found in our Climate Report	**Fully consistent with TCFD recommendations** **Targets related to net zero** We have committed to net zero by 2040, and to reduce absolute Scope 1, 2, and 3 emissions by 50% by 2030 against a 2019 baseline. We are also committed to the SBTi, the UN climate change Race to Zero and the UN Global Compact Business Ambition for 1.5°C. We continue to work towards our SBTi-validated carbon targets. Since FY19 our market-based emissions have fallen by 16.6%, against an SBTi glidepath of 22.7%, reducing from 193,951 tCO_2e to 193,430 tCO_2e in FY24. See our FY24 Climate Report www.sage.com/en-gb/company/sustainability-and-society/ for more detail on our 2030 target, 2040 targets and Net Zero Transition Plan. **Targets and metrics related to our climate risks and opportunities** Our Protect the Planet strategy outlines our core climate-related targets, which includes our Net Zero Transition Plan, our target to support of SMBs in reducing their emissions, and our advocacy for SMBs to enable them to align to sustainability standards. We have established metrics to monitor the progress of our targets and manage or climate related risks. We have included further detail on these in our FY24 Climate Report www.sage.com/en-gb/company/sustainability-and-society/. For example, the opportunities for renewable energy procurement have been via the percentage of electricity sourced from renewable energy contracts. Where these contracts approach renewal, we seek to procure renewable energy. **FY25 priorities** We will continue to monitor the climate targets we have in place, providing quantitative disclosures against targets where possible.

Our key climate-related risks and opportunities

Key—Stakeholder groups

Colleagues | Customers | Society | Shareholders

Key— Maturity

↑ Increase | → No change | ↓ Decrease

Key—Risk assessment period

Short term: 1-5 years; **Medium term**: 5-15 years; **Longer term**: 15-30 years
Sage has selected time horizons to harmonise with national and international climate policies and goals, including the 2015 international Paris Agreement, as well as our three-year strategic plan.

		Risk Maturity	Time horizon	Climate scenario analysis
Transition risks				
Changing Customer Behaviour and Needs **Sub-type** Market	Sage is closely linked to economic activity and the success of SMB markets. However, SMB markets and businesses are more exposed and less resilient to the impacts of climate change. An increase in global disruption due to climate change could reduce economic activity and lead to a lower demand for Sage services. Metric used: % of customer base in high / medium / low climate risk sector **FY24 update:** We have taken a proactive stance to understand the carbon footprint of our products through Life Cycle Assessments (LCAs) to provide improved transparency on the environmental impacts of our products, empowering customers to make informed choices. See page 13 of Climate Report www.sage.com/en-gb/company/sustainability-and-society.	→	S-M	✓ (2023)
Increasing Cost of Energy and Carbon **Sub-type** Regulation & Technology	Offices, hosting services, and data centres are energy-intensive operations. If the cost of carbon increases, this could make the Group's operating costs more expensive. Sage may need to mitigate costs and risk through increased carbon efficiency, and/or consider where these costs are absorbed. Metric used: Travel dashboard shadow carbon price **FY24 update:** Sage continues to prioritise direct emission reductions and aligns with the SBTi's net zero standard. We have furthered our understanding of the levers involved in our decarbonisation glidepath, including conducting research to assess potential future carbon prices and costs associated with removing residual emissions.	↑	S-M	✓ (2023 & 2024)
Reputational Damage **Sub-type** Reputation	Stakeholders' expectations regarding ambitious carbon targets and climate advocacy are increasing. They are applying greater scrutiny to how Sage aligns all business activities to its Net Zero Transition Plan. Sage may suffer reputational damage if we miss targets or are inactive in this space. Metric used: Progress in our Scope 1, 2, and 3 carbon emissions reductions **FY24 update:** Sage's sustainability progress has been externally recognised, including validation of our decarbonisation pathway (via SBTi approval). In FY25, we will begin monitoring the impact of our Sustainability and Society strategy on reputation and sentiment , through expanding Sage's existing reputation monitoring programme.	→	S-M	N/A
Physical risks				
Workforce Productivity **Sub-type** Chronic & Acute	Increasing extreme weather events may leave offices and homes unfit for work. This could reduce workforce productivity by making it difficult for employees to work during certain times. Metric used: % of business-critical sites with business continuity playbooks **FY24 update:** Based on our climate scenario analysis, sites have been prioritised for the implementation of risk mitigation measures (e.g. business continuity playbooks) to ensure procedures are in place to protect colleagues.	→	S	✓ (2022 & 2024
Damage to Facilities **Sub-type** Chronic & Acute	Extreme weather events have the potential to disrupt or damage Sage sites and facilities. Flooding, heatwaves, droughts and rising sea levels could all impact our facilities. Insufficiently prepared facilities could be unable to deal with more frequent and intense occurrences of such events. Metric used: % of business-critical sites with business continuity playbooks **FY24 update:** Based on our climate scenario analysis, sites have been prioritised for the implementation of risk mitigation measures (e.g. business continuity playbooks) to ensure procedures are in place to protect sites.	→	S	✓ (2022 & 2024)
Hosting Resilience **Sub-type** Chronic & Acute	Sage has a number of centralised public cloud providers, as well as hosting services. This infrastructure could be vulnerable to persistent and extreme weather events. These events could become more frequent, reducing service availability and customer experience. Metric used: third-parties with climate risk integrated in management plans **FY24 update:** We are engaging with our most important hosting partners to better understand how they are factoring climate risk into recovery and continuity plans.	→	S-M	✓ (2022)

		Risk Maturity	Time horizon	Climate scenario analysis
Opportunities				
Retaining and Hiring Superior Talent **Sub-type** Efficient and mindful workforce	It is important for employers to demonstrate sustainability as a cultural value. This can help attract and retain environmentally conscious talent. A more climate-informative hiring process can show how active Sage is in retaining and attracting talent. **FY24 update:** We continued to review and articulate sustainability-related aspects of our colleague value proposition, including improvements to rewards and benefits and L&D opportunities.		S-M	N/A
Renewable Energy Procurement **Sub-type** Energy source	Sage could ingrain renewable energy provision into our facility management plans. Progress of this provisioning is tracked, which can support Sage building managers, landlords and hosting services to develop and innovate more carbon-efficient buildings. Combined pressure from Sage, its peers and society can help reduce carbon emissions and costs. **FY24 update:** We completed a review to understand opportunities to extend the breadth and quality of renewable provisions across our estate. This review has resulted in an agreement in the UK to procure Carbon Free Energy from Good Energy for our largest UK site, Cobalt in Newcastle.		S-M	N/A
Site Strategy **Sub-type** Resource efficiency	Our Sustainable Property Strategy presents an opportunity to reduce the business's carbon footprint, operational costs, and vulnerability to extreme weather events. **FY24 update:** Where new sites open and leases renew, we ensure that their climate and environmental impact is understood by relevant Sage colleagues and minimised where possible.		S-M	N/A
New Products and Services **Sub-type** Products and services	Climate change demands are presenting a new opportunity for Sage to develop products and services for its SMB customers' that will help them tackle the challenges of climate change and put sustainability at the core of their business. **FY24 update:** Sage has continued to support SMBs through ongoing improvements and roll out of Sage Earth in the UK. This activity is monitored by the introduction of aligned LTIP targets to achieve Sage's 'Tech for Good' ambitions.		S-M	N/A
Enhanced Brand **Sub-type** Reputation	Sage has an opportunity to help SMBs fight climate change and be their voice for the future, supporting them when it comes to lobbying for change. **FY24 update:** Sage's sustainability and climate leadership was externally recognised by leading awards: being awarded the UK's most sustainable company by TIME magazine, and an EcoVardis Gold award. In FY25, we will begin monitoring the impact that our Sustainability and Society strategy is having on reputation and sentiment through expanding Sage's existing reputation monitoring programme.		S-M	N/A

Ethics and governance

Human rights

We respect the most fundamental of human rights including no child labour, no forced labour or modern slavery and the freedom of association. We pay special attention to addressing the human rights identified as potentially higher impact to our sector, through Respecting privacy and protecting data; Developing inclusive and accessible products; Responsible development and use of Artificial Intelligence (AI); and Protection from modern slavery and promoting sustainable supply chain practices. Following a human rights saliency assessment completed in FY24, we strengthened our human rights commitment within our Code of Conduct and produced a Human Rights Charter. We conduct appropriate due diligence on our partners, and all of our partners and suppliers are required to adhere to the principles set out in the Supplier and Partner Code of Conducts, including on human rights. Details on our due diligence processes continue to be reported in our Modern Slavery Statement available at www.sage.com/investors/governance.

Governance and oversight

We recognise that assurance over our business activities and those of our partners and suppliers is essential. During FY24 we monitored and reported on the completion of our mandatory Code of Conduct training for all colleagues. You can read more about our risk management and Principal Risks from page 62 to 72.

Tax strategy

We publish our tax strategy on our website (www.sage.com/investors/governance/tax-strategy) and are committed to managing our tax affairs responsibly and in compliance with relevant legislation. Our tax strategy is aligned to our Code of Conduct and Sage's Values and Behaviours and is owned and approved by the Audit and Risk Committee annually.

Anti-bribery and corruption

Sage has an anti-bribery and corruption policy which details our zero-tolerance approach to all forms of bribery and corruption. We use Transparency International's Corruption Perceptions Index to inform our risk based approach to our due diligence on customers, suppliers and partners, which is codified in our third-party due diligence policy.

Our dedicated Business Due Diligence team supports colleagues in fulfilling their third-party due diligence obligations. We also require our partners to adopt our position on bribery and corruption and we support them in doing so by clearly setting out our expectations in our Partner Code of Conduct.

Sage's anti-bribery and corruption policy, together with associated whistleblowing procedures and grievance mechanisms, are designed to ensure that colleagues and other parties, including contractors and third parties, are able to report any instances of poor practice safely through an independent organisation. All reports received via this or any other reporting mechanism are thoroughly investigated and reported to the Audit and Risk Committee, which reviews each case and its outcomes. None of our investigations during FY24 identified any systemic issues or breaches of our obligations under the Bribery Act 2010.

The anti-bribery and corruption policy is supported by our gifts & hospitality and conflicts of interest policies and their supporting declaration and approval procedures, as well as periodic audits and reminders. Further details on our policies and procedures in this area can be found on page 39 of our Sustainability and Society Report available at www.sage.com/en-gb/company/sustainability-and-society.

Non-financial and Sustainability Information Statement

Information as required by regulation can be found on the following pages:

Environmental matters	pages 30 to 31, and 35 to 42
Our employees	pages 24 to 29, and 50 and 51
Social matters	pages 30 to 33, 43, and 52 and 53
Human rights	page 43
Anti-corruption and anti-bribery	page 43
Climate-related disclosures	pages 35 to 42
Business model	pages 8 and 9
KPIs	pages 22 and 23
Principal Risks	pages 62 to 72

Section 172(1) statement

After due and careful consideration of the requirements set out in section 172(1)(a) to (f) of the Companies Act 2006 (“section 172(1)”) and referred to in the UK Corporate Governance Code 2018, the Directors believe that, during the year under review, they have, individually and together, acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of our shareholders, having regard to the matters set out in section 172(1).

The Board understands its duties under section 172(1) and ensures that its decision-making is underpinned by these duties and complies with its obligations. Delegation by the Board to the Executive Leadership Team and the wider leadership team to manage the day-to-day operations embeds the principles of section 172(1) beyond the Board’s decision-making and into how we operate as a business. This approach also encourages our colleagues to promote long-term sustainable success and consider our stakeholders, while aligning with our Values.

Throughout the year, the Board has engaged directly and indirectly with stakeholders to understand the matters that are most important to them and the ways in which Board decisions may impact them, in order to balance their needs, interests and expectations. By taking account of the Company’s purpose and values together with its strategic priorities, we aim to make sure that Board decisions are informed, fair and consistent.

Further information on how the Board and wider Group have engaged with our stakeholders during FY24 is set out on pages 48 to 54.

Section 172 (1) limbs

a) The likely consequences of any decisions in the long term

b) The interests of the company’s employees

Further information on how section 172(1) has been applied by the Directors can be found throughout the Annual Report:

Section 172 duties
Consequences of decisions in the long term
Interests of employees
Fostering business relationships with suppliers, customers, and others
Impact of operations on the community and the environment
Maintaining high standards of business conduct
Acting fairly between members

c) The need to foster the company's business relationships with suppliers, customers, and others

d) The impact of the company's operations on the community and the environment

e) The desirability of the company maintaining a reputation for high standards of business conduct

f) The need to act fairly as between members of the company

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Section 172(1) statement continued

Principal decisions by the Board during FY24

The principal decisions outlined here demonstrate how the Board has assessed different stakeholder interests when considering strategic actions. These decisions were selected as they were determined to have the most substantial impact on our stakeholders during the year.

Key—Stakeholder groups

Colleagues | Customers | Society | Shareholders

The acquisitions of Infineo SAS and Tritium Software, S.L.

Board considerations

During the year, the Board considered, in accordance with Sage's disciplined capital allocation policy, the acquisitions of Infineo SAS (Infineo) and Tritium Software, S.L. (Tritium). While consideration was given to all stakeholder categories, creating a seamless customer experience was a top priority for the Board. With both companies being existing Sage partners, their solutions were already sold with certain Sage products, and the acquisitions offered the potential to expand their capabilities to other products within the Sage portfolio.

Infineo, based in France, specialises in innovative software solutions for business digital transformation, helping organisations optimise their business processes and information management with sophisticated reporting solutions. The Board considered the acquisition a good opportunity to internalize these capabilities and develop Sage's breadth in reporting functionality, and was comfortable that the decision was aligned with Sage's long term strategic priorities. The Board was also cognisant of the impact on colleagues, both for Sage and Infineo, and noted the integration plan before providing their approval for the acquisition. The acquisition of Infineo was completed in September 2024.

Tritium, based in Spain, provides a management solution for field-based sales teams, designed to monitor sales, KPIs and performance metrics, focused on SMBs. The Board identified and considered the positive impact on customers of acquiring the business, in view of the product's proven success and the enhanced proposition it offers. The Board also reflected on the impact of acquiring the business on Sage's workforce, considering that Sage would benefit from the expertise that Tritium's colleagues would bring. With the potential to attract new custom and bring high-performing colleagues into Sage, the Board regarded the acquisition as an attractive growth opportunity. The acquisition of Tritium was completed in October, 2024, after the FY24 year end.

As with all acquisitions, the impact on shareholders was a key consideration, and the Board was comfortable with the value creation potential based on expected post-acquisition performance and alignment with Sage's strategy.

Outcome

The Board approved the acquisition of Tritium Software, S.L. and Infineo SAS in light of the stakeholder considerations.

Section 172(1) limbs

Stakeholders considered

Principal decision by the Board

The acquisitions of Tritium Software, S.L. and Infineo SAS.

Evolved strategic framework

Board considerations

Over the past three years, significant advancements in AI and digital transformation have taken place causing businesses to consider how these technology changes can enhance their productivity and efficiency. Consequently, the Board reviewed Sage's FY21 strategic framework to ensure it is aligned with these developments, to take advantage of the significant opportunities these advancements offer Sage, and to meet the expectations of customers.

At the Board Strategy Day in January in 2024, the Board discussed initial thoughts on how Sage's strategy has evolved to meet this opportunity, and how its strategic framework could be evolved to communicate delivery. Management proposed the evolved strategic framework at the July Board meeting, with the Board spending time understanding its different elements. These included the impact on Sage's stakeholder groups over time, how growth would be delivered and how maintaining Sage's reputation for high standards of business conduct would be addressed.

It was agreed that Sage's purpose remains as relevant as ever amidst economic uncertainty and no changes to the purpose were proposed. The Board agreed to update the strategic ambition to 'create the world's most trusted and thriving network for SMBs, powered by Sage Copilot' to reflect the importance of the Sage Network and Sage Copilot in delivering benefits to customers, from automating tasks to driving business insights and improvements.

The Board further considered and noted that while the strategic priorities in the FY21 framework have provided good focus and clarity for the business, the Board agreed to replace the strategic priorities with strategic objectives focused on specific, measurable outcomes across key regions, products and technology.

The Board discussed Sage's stakeholder categories and approved the addition of 'Partners' to the key stakeholder category, recognising their critical role in achieving Sage's ambition.

Finally the Board agreed that Sage's values remain unchanged and noted how colleagues use these to guide their behaviour and decision making.

For further information, please see the Our strategy section on pages 15 to 21.

Outcome

Following an in-depth Board discussion, the Board approved the evolved strategic framework and to include Partners to the current list of Sage's core stakeholders from FY25.

Section 172(1) limbs

Stakeholders considered

Principal decision by the Board

Approval of the evolved strategic framework and add Partners as a key stakeholder category from FY25

Relocation of Sage's London Office

Board considerations

Sage's London office has been located in the Shard since 2016. With the Company's current lease due to expire in 2025, the Board was asked to consider a move to a new office space which could offer more collaborative space and social amenities for colleagues, with more potential for space to engage with Sage's partners and customers onsite.

The Board noted that the design, look and feel would be similar to that of other new Sage workplaces, such as Sage's new North America Headquarters in Atlanta.

The Board was also keen to ensure that the sustainability credentials of the new location were aligned to Sage's sustainability strategy. The Board noted that the proposed office space, once constructed, will be 100% electric and net zero carbon in operation, with no fossil fuels used in running the property, and is targeting a WELL Building Platinum certification.

The Board deliberated on the benefits to key stakeholders of moving, particularly colleagues and the enhanced collaborative colleague experience offered.

Outcome

In view of the benefits offered to our stakeholders, the Board concluded that relocating to Tower Bridge Court, offered Sage with the best option and approved the relocation.

Section 172(1) limbs

Stakeholders considered

Principal decision by the Board

Relocation of Sage's London Office from the Shard to Tower Bridge Court

Engaging with our key stakeholders

Understanding the needs and expectations of our stakeholders plays a fundamental role in achieving our strategic aims and securing long-term success. We strive to maintain regular, open and positive engagement to build stronger relationships with our stakeholders, develop our understanding of issues of importance to them and respond to their feedback. The Board reviews our key stakeholder groups annually to ensure that they remain closely aligned with our purpose and with the Group's long term strategy.

Following a review of Sage's strategic framework, the Board has approved the inclusion of 'Partners' in our core group of stakeholders from FY25, as we recognise the crucial role they play throughout Sage's ecosystem to help deliver our ambition. Partners help to drive a significant portion of our overall revenue today, which continues to grow and contribute to our mutual success.

For us, maintaining high standards of corporate governance and incorporating stakeholder voices into the Board's decision making are central to the integrity and trust that sits at the heart of our long-term relationships.

Key stakeholder considerations are integrated into Sage's Board papers, to enable the Board to have a well-rounded view of stakeholder interests and proactively consider these as part of its informed decision-making. The Board recognises that situations can arise with differing stakeholders interests, but believes that maintaining a balanced perspective is key to achieving equitable and sustainable outcomes.

We recognise that other groups of stakeholders, beyond the key groups outlined, are also important to the Group's activities. The Board has regard for, and engages with, such groups in a two-way relationship that is appropriate and tailored to the extent that they affect, and are affected by, the Group's activities.

Sage suppliers, for example, are crucial to our business, and therefore the Group aims to build strong relationships to enhance value and productivity. The Board oversees a governance model that includes a comprehensive supplier onboarding process and procurement lifecycle. This includes conducting sustainability assessments to ensure that Sage is building an ethical and sustainable supply chain that is helping us reduce our carbon footprint to achieve our bold commitments to get to net zero. Our Supplier Code of Conduct outlines the standards of behaviour we expect from all our suppliers on various issues such as: to respect and promote human rights, to adopt and maintain appropriate health and safety management systems and to use due skill, care and diligence to prevent the unauthorised or unlawful processing of data.

Sage's section 172(1) statement and principal decisions for FY24 on pages 44 to 47 explains how the Directors have discharged their responsibilities in view of stakeholder considerations in taking significant decisions during FY24.

Our key stakeholders*

Customers
Read more on page 49

Colleagues
Read more on pages 50 and 51

Society
Read more on pages 52 and 53

Shareholders
Read more on page 54

* (Key stakeholders for FY24. From FY25, Partners will also be included in the list of key stakeholders.)

Customers

We build every experience with human insight and ingenuity, giving people building business the confidence to flow

KPI

Customer Experience metrics, renewal rate by value and Sage Business Cloud penetration

Why they matter to Sage

- We put customers at the heart of everything we do, helping businesses thrive. SMBs are the growth engine of the global economy and accountants are the professionals who rely on us to help them deliver a great service to their clients, whatever their size. We recognise our customers are a diverse and dynamic group and we endeavour to build every experience for them with human insight and ingenuity.

What matters to them

- Customers want technology that helps them (i) run and grow their business; (ii) keep their business compliant; (iii) deliver great customer service; (iv) access data that gives them visibility into their business and delivers actionable insights; and (v) automate workflows to reduce administrative tasks and save them time.
- Improving efficiencies and productivity remain priorities, but customers are also interested in the wellbeing of their people, the environment, and their role in protecting it.

How Sage engages at Board level

- Regular updates were provided by the CEO to the Board on operational priorities to deliver a simplified and high-quality customer experience which includes the themes from customer feedback, helping to further the Board's understanding of what our customers value. Frequent cybersecurity updates were also provided, to give the Board visibility of Sage's efforts to mitigate cyber risks across the business and protect customer data. Additionally, the Board were kept up to date on the development of the Sage Network throughout the year, with a particular focus on understanding its benefits for customers and how AI services and offerings were being integrated into the customer experience.
- In September 2024, the Board met with customers and partners in a 'round table' in North America, which enabled the Board to gain deeper insights into customer needs and understand how collaboration with our Partners is enhancing value for our customers. During the year, our Chair, Andrew Duff attended our Sage Transform event in Las Vegas and met with partners to discuss how Sage can work together and contribute further to enrich customer offerings. Derek Harding, Non-executive Director, also attended Accountex London to meet Sage customers, as we showcased the capabilities of Sage Copilot.

How Sage engages across the Group

- In April 2024, we launched Sage Copilot, our new generative AI powered productivity assistant which automates tasks and provides insights to fuel growth and efficiency, empowering customers to make smarter business decisions. To ensure that Sage Copilot aligns with what matters most to our customers, we made Sage Copilot available to an initial group of customers, enabling us to co-create and refine its capabilities through continuous feedback. Working closely with these early users, we incorporated their insights on high-impact workflows. As we expand Sage Copilot's rollout, we're scaling these benefits for a wider audience.
- Sage made a number of strategic acquisitions to bring new capabilities into the business. In addition to the two acquisitions already mentioned on page 46, we purchased Anvyl, which delivers a cost-effective Supply Chain Execution solution to provide SMBs with complete visibility across their supply chain). We also acquired Bridgetown Software which expanded Sage's offering to the construction and real estate market.
- Our Customer Connect initiative continued during the year. The initiative includes activities such as call listening to help colleagues understand Sage's customer pain points and assistance needs. More than 1900, customer connect hours were logged by colleagues. 27 customers were involved in various Marketplace activities in the UKI and North America across 18 events, such as our Newcastle Customer Mini Market that gave our Colleagues the opportunity to purchase goods from Customers, boosting their revenue.
- In FY24, Sage has grown its global customer advocacy programme to over 10,000 customer advocates who rated Sage with an NPS score of +64.

Outcomes from engagement

- Our approach to how we capture, act on, and measure customer feedback has continued to evolve. By mapping micromoments (specific occasions or touchpoints in the customer journey), we aim to capture actionable insights to help us clearly understand and improve the customer journey and experience
- Customers have provided thousands of authentic reviews that positioned key products such as Sage Intacct and Sage Accounting as highly ranked on global review sites. For example G2 and TrustRadius collect verified, peer-based reviews from business users that enable buyers to make more confident decisions. Sage Intacct has over 3,000 reviews on G2, with an average rating of 4.3/5 stars, highlighting how much our customers value the product
- Our Customer Satisfaction Score (CSAT), which measures how satisfied customers are with our customer service, reached an impressive 9.5 for the rolling 12 months of FY24. This is an improvement from 9.4 in FY23, driven by our dedicated efforts to enhance the frontline customer experience.

Colleagues

We are committed to creating an environment where colleagues feel energised to contribute to the success of SMBs

KPI
Employee satisfaction

Why they matter to Sage
- Colleagues are our most important asset at Sage. Every day, they work to break down barriers, unlocking potential for our people, our customers and the communities in which we operate. By fostering trusted connections and collaborations, Sage aims to create an environment where everyone is empowered to succeed. Our commitment to doing the right thing is backed by an inclusive, high-performing, and human-centered culture that supports each colleague to reach their full potential.

What matters to them
- Colleagues want to work for a company that values them and provides them with an opportunity to be themselves and thrive. They expect Sage to address societal issues from diversity and sustainability to the future of work.

How Sage engages at Board level
- The Board received regular updates on colleague sentiment, including on the results of Sage's bi-annual Pulse Survey that collects colleague feedback from all areas of the organization. The Board also received an update on the implementation of the Group's DEI strategy to monitor progress on delivery and ensure Sage achieves its three DEI principles of Diverse Teams, Equitable Culture, and Inclusive Leadership.
- Colleague engagement sessions were held throughout the year with the Board in Atlanta, Newcastle, and Barcelona, where the Board met with leaders and engaged in two-way discussions. This was a good opportunity for the Board to gain a better understanding of colleague sentiment, as well as the operations in the regions and throughout the business, while allowing colleagues to gain a better understanding of the role of the Board. In addition to their regular Board calendar, Non-executive directors also visited various Sage offices to meet with colleagues and enhance their understanding of the business and colleague views. In June 2024, Andrew Duff, visited our Frankfurt office to meet with the management team and whilst there attended a colleague all-hands meeting. In October 2023, Non-executive Directors Roisin Donnelly and Maggie Chan Jones visited our Atlanta office, while Roisin also then attended the Sage Global People Conference in London. Maggie Chan Jones also met with female colleagues to gain feedback on flexible working, talent development for women at Sage and areas to develop our diversity strategy.
- We appointed our new Board Associate, Amy Cosgrove, in January 2024. During the year, Amy contributed to the Board's decision-making by regularly providing colleague views on topics under discussion. She also provided colleagues with insights into the role of the Board through various engagement activities, including interviews with Non-executive directors about their experiences and roles on Sage's Board. For more information on the role of the Board Associate, please refer to pages 96 and 97.
- The Board also are regularly updated on the progress of the Sage culture programme which focuses on establishing a sustainable high-performance culture, in response to the renewed focus on pace, growth and scaling the business.

Further details on how the Board monitors culture, a key focus in colleague engagement, is on pages 94 and 95

How Sage engages across the Group

- The "All About Us" programme at Sage encourages colleagues to voluntarily and confidentially share information to identify and address inequities, remove barriers, and gain a clearer picture of diversity within the company. Global participation rate has increased to 64% which has enabled Sage to set and monitor gender representation targets and improve ethnicity representation in senior management, making Sage a more equitable and inclusive workplace.
- Colleagues are encouraged to use our hybrid working approach, to foster connection and collaboration on shared office days, creating inclusive environments. To facilitate this Sage has developed next-generation workplaces with various settings for focusing, Teams calls, and meetings, along with wellness and multifaith rooms to support wellbeing.
- High-performance workshops were held across different Sage locations. During the year, these sessions focused on empowering our leaders to 'walk the talk' and build a culture that consistently meets and beats the high standards of objectives Sage sets itself.
- At Sage we are always looking for ways in which we can support our people. For instance as part of our disability inclusion journey, we launched a global Neurodiversity Hub in FY24 to provide insights, tools, and strategies for supporting neurodivergent learning. Our Colleague Success Networks amplified underrepresented voices and identified challenges for the DEI team and senior management to address. We expanded Cleo, a health and wellbeing app, to offer personalized support to all individuals globally. All colleagues now also have access to a 24/7 Employee Assistance Programme and an independent, anonymous whistleblowing hotline. Our network of Healthy Mind Coaches has been strengthened and Sage now has 157 across its locations. These are trained Sage colleagues who have volunteered to listen and guide colleagues with wellbeing support.
- At Sage we all have a responsibility to do the right thing whilst delivering on our purpose, and our Code of Conduct sets clear expectations across Sage for compliance with ethical standards, providing unambiguous guidance on how Sage aims to do the right thing. All Sage colleagues are required to complete Code of Conduct training bi-annually. This year, we also reviewed and updated several policies, including Wellbeing, Health & Safety, Diversity Equity and Inclusion, and Personal Data Protection, and introduced new policies on Anti-Discrimination and Bullying & Harassment to protect colleagues' wellbeing.
- Sage TV Live broadcasts presentations on strategy and quarterly performance updates by the CEO and CFO, Executive Leadership Team, and senior management. Multimedia channels are also used internally for sharing information and as a depository of internal news items of interest.

Outcomes from engagement

- Our Glassdoor score remained broadly stable at 4.0 and our eSat score remained consistent at 76.
- We continue to proactively monitor, respond and encourage colleague reviews.
- 85% of Sage colleagues completed the Pulse Survey in September 2024, providing the Board with insight into colleague sentiment across the Group and direct feedback on areas that can be improved.
- Focusing on a flexible and inclusive working structure has created opportunities for teams to connect and innovate, fostering a creative and collaborative culture across the business. This balance allows Sage to achieve outstanding results for colleagues, customers, and the community.

For further information, please see the Our people and culture section on pages 24 to 29

Stakeholder engagement continued

Society

We tackle digital inequality, economic inequality, and the climate crisis, using our time, technology, and experience

KPIs

Sage Foundation volunteering

Why they matter to Sage

- In today's world, not everyone is given an equal chance. Discrimination, bias, lack of education, and unequal access to technology are creating barriers for many people to succeed. It is Sage's pledge as one of the UK's biggest technology companies to create equal opportunity. We are committed to investing in education, technology, and environmental change to give individuals, SMBs, and the planet the opportunity to thrive.
- We believe by supporting communities to knock down barriers to digital and economic equality and to protect the planet, we can play a role in creating a more equal society.
- People in underrepresented groups or sectors hardest hit by crises need support to start and grow businesses, as this is a proven route to long-term employment, high job satisfaction, and a better life.

What matters to them

- Having a positive societal and environmental impact, and a commitment to diversity, matters to Sage and our customers. We are in a great position to help SMBs align their business practices with societal values, leading to sustainable growth and long-term success.

How Sage engages at Board level

- The Board received updates on the Sustainability and Society strategy throughout the year. In May 2024, the Board reviewed progress on our sustainability strategy deliverables and the evolved Sage Foundation strategy. In September 2024, the Audit and Risk Committee received updates on the FY24 sustainability reporting suite and reviewed Sage's position on non-financial disclosures, including our position on regulatory requirements and voluntary disclosures, such as GRI and SASB. Additionally, the Remuneration Committee was regularly updated on the status of the ESG measures in the Sage Long-Term Incentive Plan so that the Board can monitor whether they remain aligned to Sage's ESG targets and their progress.
- Maggie Chan Jones, our Non-executive Director for ESG, attended the Sustainability, AI and Data Ethics Committee in February and August 2024 to gain further insight into the progress of Sage's three key Sustainability and Society strategic pillars: Protect the Planet, Tech for Good, and Human by Design.

How Sage engages across the Group

- The management level AI and Data Ethics Committee, established in FY23, was merged with the Sustainability and Society Committee to create our new Sustainability, AI, and Data Ethics Committee after recognising the importance and interoperability between the two. The Committee meets quarterly and provides strategic direction and ensures that our Sustainability and Society targets, objectives, and supporting programmes remain relevant, ambitious, and on track for delivery.
- Our Data for Good web page was launched in all markets and included the Insight Search AI chatbot, providing visibility to our stakeholders and enabling our customers to query reports more easily.
- Sage has made strong progress in the mission to hardwire sustainability into our operations and culture, including by strengthening Sage's ESG Principal Risk, the integration of further ESG risks into our enterprise risk management framework and the review of Sage policies from a Sustainability and Society perspective. We embedded ESG expertise further in the M&A due diligence process to help mitigate sustainability related risks, opportunities and impact.

- We have invested in upskilling our colleagues to empower them to achieve our Sustainability and Society Goals:
  1) AI and Ethics general awareness training modules were launched for all colleagues to ensure that AI is used appropriately throughout the business
  2) Sage has partnered with Sustainability Unlocked to integrate more than 400 hours of sustainability learning videos into our Sage Learning platform
  3) Climate training was delivered to colleagues in the UK, Ireland, Spain, France, Belgium, Morocco, South Africa, the US and Canada
  4) Following a successful pilot in Newcastle and Dublin, we have launched the Deedster app to colleagues. The app combines education and action to allow colleagues to better understand their personal carbon footprints and provide guidance on what they can do to reduce their impact
  5) 560 colleagues from Marketing and Corporate Affairs were supported with awareness on avoiding greenwashing. A toolkit with practical advice was incorporated into Sage's Responsible Business Language Guide

For further details on achievements, please refer to the Sustainability and Society section on pages 30 to 34

Outcomes from engagement

- Sage was the top UK business listed in the World's Most Sustainable Companies 2024 by TIME Magazine and Statista.
- The company was named for a second year in the Financial Times' 2024 Europe's Climate Leaders list and received an A- Leadership score on CDP.
- Sage Foundation met or exceeded all of its impact goals in FY24 by:
  - raising $644,858
  - volunteering 159,714 hours during the year
  - equipping 18,750 people with the skills they need to access further opportunities, including more than 15,000 young people taking part in our First Lego League programme delivered in partnership with the Institute of Engineering and Technology in the UK and Hands on Technology in Germany
  - supporting 13,420 underserved entrepreneurs, including more than 30,000 small business owners who benefitted from funding through our partnership with Kiva
- Expanding our various Sage Foundation partnerships, such as with Teens in AI, Girl Code, and the Newcastle Rugby Foundation, has enabled us to make significant impacts. We helped 1,000 young people learn AI and Ethics skills through techathons and a global AI4Good Incubator, supported 1,000 young South African GirlCoders in acquiring STEM skills, and brought STEM learning to over 1,200 school children in the North-East of the UK. The BOSS Invest in Progress programme awarded business grants, mentorship, training, and technology to 25 new Black female entrepreneurs. Additionally, 100 Sage colleagues participated in the IDEMS International Tech for Good Hackathon, leveraging AI and data science to address real-life issues.

For further details on Sage Foundation activities, please refer to the Sustainability and Society section on pages 30 to 34

Shareholders

We target sustainable growth in shareholder value

KPIs

Underlying ARR growth, Renewal rate by value and Subscription penetration

Why they matter to Sage

- Our shareholders are our owners and providers of equity capital, without whom Sage could not grow and invest for future success; they are key beneficiaries in the value we create.
- Their insights and feedback help to shape our strategic direction, guide our investment decisions, and ensure we stay aligned with our shared vision for success.

What matters to them

- Investors are interested in our financial and operational performance, strategy and execution progress, ESG practices and investment in the business to drive growth, foster innovation and enhance the customer experience.
- Sage's approach to governance and how our ELT and Board make decisions, is also of interest to them.
- In addition, they are concerned about broader societal issues and the role Sage plays in addressing them.

How Sage engages at Board level

- The Board receives Investor Relations updates at each Board meeting to understand shareholder sentiment, together with ongoing updates from Sage's advisors and brokers throughout the year.
- The Chair held meetings with Sage's top shareholders, providing an opportunity to discuss the Group's strategic progress and to listen to shareholder feedback.
- The Board is kept abreast of feedback from investor meetings after Sage's full-year and half-year results announcements and quarterly trading updates.
- In FY24, the Chair of the Remuneration Committee along with the Chair of the Board consulted with most of Sage's top 50 shareholders and proxy agencies regarding Sage's triennial Remuneration Policy review to engage in a two-way dialogue on policy changes.
- All Board members attended the AGM, which provided a key opportunity for the Board to engage directly with shareholders and for shareholders to vote on the resolutions.
- The Chair and other Non-executive Directors, including the Board Committees Chairs, were available to attend meetings with major shareholders at the request of either party to gain an understanding of any issues or concerns.
- Sage's material communications to investors, including results announcements and the Annual Report, were reviewed and approved by the Board prior to release.
- The Board recommended an interim and final dividend payment during the year.

How Sage engages across the Group

- Senior management and the Investor Relations team met with numerous shareholders during the year, including during several roadshows in the UK and the US, as well as on an ad-hoc basis. These meetings provide an opportunity for management to engage directly with investors on the performance and strategy of the company.
- We also held an annual event for equity analysts to meet with our broader management team, providing an opportunity to build closer relationships with the analyst community, and for analysts to ask questions directly of the management team.
- The Investor Relations team, in conjunction with Finance and other teams within the Group, prepared and published all results announcements during the year.
- The Investor Relations team provided updates on the equity markets and shareholder views to relevant teams within the business.
- Our website, www.sage.com/investors, continues to be an important channel for communicating with all stakeholders, including investors.

Outcomes from engagement

- Proactive engagement with shareholders and analysts has helped ensure a good understanding of investor sentiment, as well as support for the Group's management and strategy, and buy-in to capital allocation decisions.
- We have fostered constructive relationships with our top shareholders at multiple levels within the organisation, including the Chair, CEO, CFO, members of the ELT and the Investor Relations team.
- We have proactively targeted new investors, particularly those based in the US, resulting in Sage's proportion of US institutional ownership increasing to 39%.

Financial review

"Sage delivered a strong financial performance in FY24 through focused strategic execution. Disciplined capital allocation is enabling ongoing investment together with strong shareholder returns."

Jonathan Howell
Chief Financial Officer

The Financial review provides a summary of the Group's results on a statutory and underlying basis, alongside its organic performance. Underlying measures allow management and investors to understand the Group's financial performance adjusted for the impact of foreign exchange movements and recurring and non-recurring items, while organic measures also adjust for the impact of acquisitions and disposals.[1]

Introduction

Sage achieved strong, broad-based revenue growth together with significantly higher profits and cash flows.

Underlying total revenue increased by 9% to £2,332m, with all regions contributing to growth, including North America at 12%, the UKIA region at 8%, and Europe at 6%. Growth was driven by robust demand for our solutions and services, as SMBs continue to digitalise their accounting, HR and payroll processes.

Sage's growth was underpinned by a strong performance in underlying ARR, which increased by 11% to £2,339m (FY23: £2,112m), reflecting good levels of growth from new and existing customers and strong retention rates.

This led to an increase in underlying recurring revenue of 10% to £2,257m. As a result, 97% of Sage's total revenue is now recurring, reflecting the high quality and resilient nature of the Group.

On an organic basis, total revenue grew by 9% to £2,332m (FY23: £2,134m) while ARR grew by 11% to £2,334m (FY23: £2,112m).

Underlying operating profit grew by 21% to £529m, leading to a particularly strong increase in operating margin of 220 basis points to 22.7%. This was driven by strong revenue growth and operating efficiencies, with disciplined cost management enabling ongoing strategic reinvestment.

Reflecting this progress and the impact of the share buyback programme, underlying basic EPS increased by 23% to 37.9p.

The Group remains highly cash generative. Free cash flow increased by 30% to £524m, underpinned by excellent cash conversion of 123%, reflecting growth in subscription revenue and continued good working capital management.

In line with our disciplined approach to capital allocation, we continue to invest in both organic and inorganic growth, while delivering shareholder returns. The Board is proposing a final dividend of 13.50p per share, representing a total dividend in respect of FY24 of 20.45p per share, an increase of 6%. We have also announced a share buyback programme of up to £400m, to be executed in FY25, reflecting strong cash generation, our robust financial position and the Board's confidence in Sage's future prospects.

1. Figures provided on an underlying basis unless otherwise stated. Underlying and organic revenue and profit measures are defined in the Glossary.

Financial review continued

Statutory and underlying financial results

Financial results	Statutory			Underlying		
	FY24	FY23	Change	**FY24**	FY23	Change
North America	**£1,052m**	£973m	+8%	**£1,052m**	£940m	+12%
UKIA[2]	**£670m**	£627m	+7%	**£670m**	£620m	+8%
Europe	**£610m**	£584m	+5%	**£610m**	£573m	+6%
Group total revenue	**£2,332m**	£2,184m	+7%	**£2,332m**	£2,133m	+9%
Operating profit	**£452m**	£315m	+43%	**£529m**	£438m	+21%
% Operating profit margin	***19.4%***	*14.4%*	*+5.0 ppts*	***22.7%***	*20.5%*	*+2.2 ppts*
Profit before tax	**£426m**	£282m	+51%	**£502m**	£407m	+23%
Profit after tax	**£323m**	£211m	+53%	**£382m**	£315m	+21%
Basic EPS	**32.1p**	20.7p	+55%	**37.9p**	30.9p	+23%

2. United Kingdom & Ireland, Africa and Asia-Pacific (APAC).

The Group achieved statutory and underlying total revenue of £2,332m in FY24. Statutory total revenue increased by 7%, reflecting underlying total revenue growth of 9%, offset by a 2-percentage point foreign exchange headwind, as sterling strengthened against the US dollar and other international currencies compared to the prior year.

Statutory operating profit increased by 43% to £452m, reflecting a 21% increase in underlying operating profit to £529m, together with a £64m decrease in recurring and non-recurring items[3], reflecting lower M&A-related charges in FY24 together with non-recurring restructuring charges in the prior year.

Statutory basic EPS increased by 55% to 32.1p, reflecting higher underlying operating profit, lower net finance costs and the post-tax impact of lower recurring and non-recurring items. Underlying basic EPS increased by 23% to 37.9p, primarily reflecting higher underlying operating profit.

Revenue

The Group increased underlying total revenue by 9% to £2,332m (FY23: £2,133m), with all regions contributing to growth. In North America, revenue grew by 12%, driven by a good performance from Sage Intacct together with continued growth in Sage 50 cloud and Sage 200 cloud. In the UKIA[1] region, revenue increased by 8%, driven by Sage Intacct together with cloud solutions for small businesses. In Europe, revenue increased by 6%, with growth across our accounting, payroll and HR solutions.

Throughout the Group, our principal focus is to grow Sage Business Cloud, comprising our cloud native[4] and cloud connected[5] solutions, by attracting new customers and delivering further value to existing customers. Sage Business Cloud solutions enable customers to benefit from a growing range of cloud services as part of the Sage Network, leading to deeper customer relationships and higher lifetime values.

As a result, Sage Business Cloud total revenue increased by 16% to £1,871m (FY23: £1,619m), driven by growth in cloud native revenue of 23% to £732m (FY23: £597m) primarily through new customer acquisition, and by growth in cloud connected revenue from both existing and new customers.

Underlying recurring revenue increased by 10% to £2,257m (FY23: £2,048m), with software subscription revenue up by 13% to £1,910m (FY23: £1,694m) leading to subscription penetration of 82% (FY23: 79%). As a result, 97% of the Group's revenue is recurring.

On an organic basis, total revenue grew by 9% to £2,332m (FY23: £2,134m), whilst recurring revenue grew by 10% to £2,257m (FY23: £2,049m).

Revenue by region

North America	FY24	FY23	Change	Organic Change
US	**£918m**	£819m	+12%	+12%
Canada	**£134m**	£121m	+11%	+11%
Underlying total revenue	**£1,052m**	£940m	+12%	+12%

In North America, underlying total revenue increased by 12% to £1,052m, with growth across Sage's key accounting solutions, particularly among mid-sized businesses. Recurring revenue grew by 13% to £1,028m (FY23: £913m), while subscription penetration increased to 81%, up from 78% in the prior year.

3. Recurring and non-recurring items are defined in the Glossary and detailed in note 3.6 of the financial statements.
4. Cloud native solutions run in a cloud environment enabling access to up-to-date functionality at any time, from any location, via the internet.
5. Cloud connected solutions are deployed on premise with significant functionality delivered through the cloud.

In the US, total revenue increased by 12% to £918m, with growth moderating compared to the prior year. Sage Intacct, which represents over 40% of US revenue, grew by 24% to £385m (FY23: £311m), driven by strength across multiple verticals including not-for-profit and construction & real estate. Revenue was also driven by Sage 200 cloud, Sage 50 cloud and Sage X3, reflecting good levels of upsell to existing customers and higher pricing, together with growth from new customers.

In Canada, total revenue grew by 11% to £134m, driven mainly by Sage 50 cloud which saw strong renewals and new customer acquisition, together with growth in Sage 200 cloud. In addition, Sage Intacct grew strongly, while Sage HR achieved good traction following its Canadian launch earlier in the year.

UKIA	**FY24**	FY23	Change	Organic Change
UK & Ireland (Northern Europe)	**£505m**	£471m	+7%	+7%
Africa & APAC	**£165m**	£149m	+11%	+11%
Underlying total revenue	**£670m**	£620m	+8%	+8%

In the UKIA region, underlying total revenue increased by 8% to £670m, with continuing strength across the portfolio including accounting, HR and payroll solutions. Recurring revenue also grew by 8% to £655m, while subscription penetration was 89%, in line with the prior year.

In the UK & Ireland, total revenue grew by 7% to £505m. Sage Intacct made a significant contribution, benefitting from strong new customer wins, with momentum continuing to build throughout the year.

Alongside Sage Intacct, Sage's cloud native solutions for small businesses including Sage Accounting, Sage Payroll and Sage HR delivered good levels of growth, mainly through new customer acquisition. Revenue was also driven by growth in accountancy practice management tools, supported by the continued adoption of Sage for Accountants. In addition, Sage 50 cloud and Sage 200 cloud continued to perform well, with growth mainly from existing customers through good levels of upsell and higher pricing.

In Africa and APAC, total revenue grew by 11% to £165m, with strong growth in Sage Accounting, Sage Payroll and Sage HR driven by good levels of new customer acquisition, while Sage Intacct also performed well, off a small base. In addition, Sage X3 and local products within the Sage 200 cloud and Sage 50 cloud franchises continued to contribute to growth.

Europe	**FY24**	FY23	Change	Organic Change
France	**£309m**	£290m	+6%	+6%
Central Europe	**£148m**	£140m	+6%	+6%
Iberia	**£153m**	£143m	+7%	+7%
Underlying total revenue	**£610m**	£573m	+6%	+6%

Europe achieved underlying total revenue growth of 6% to £610m, reflecting a strong performance particularly in Sage 200 cloud, Sage 50 cloud, HR and payroll solutions. Recurring revenue grew by 8% to £574m (FY23: £531m), while subscription penetration increased to 76%, up from 70% in the prior year.

In France, total revenue grew by 6% to £309m driven by accounting solutions. Sage 200 cloud was a significant contributor to growth, as was Sage X3 which continued to benefit from strong demand. Solutions for accountants performed well, driven by accelerated upsell of add-ons. Payroll and HR solutions also contributed to growth within the region.

Central Europe achieved a total revenue increase of 6% to £148m. Cloud HR and payroll solutions, which represent almost half of the region's revenue, grew particularly strongly, driven by upsell to existing customers together with new customer wins. Growth was also driven by Sage 200 cloud, mainly through sales to existing customers.

In Iberia, total revenue grew by 7% to £153m, reflecting strength across Sage 200 cloud and Sage 50 cloud, driven by renewals, higher pricing and new customers. Iberia also achieved good levels of growth from accountants, complemented by the recent launch of Sage for Accountants in Spain.

Revenue—underlying and organic reconciliation to statutory

Total revenue bridge	FY24	FY23	Change
Statutory	**£2,332m**	£2,184m	+7%
Recurring items	**–**	–	
Impact of FX[6]	**–**	(£51m)	
Underlying	**£2,332m**	£2,133m	+9%
Disposals	**–**	–	
Acquisitions	**–**	£1m	
Organic	**£2,332m**	£2,134m	+9%

Statutory, underlying and organic total revenue was £2,332m in FY24. Underlying revenue in FY23 of £2,133m reflects statutory revenue of £2,184m retranslated at current year exchange rates, resulting in a foreign exchange headwind of £51m. Organic revenue in FY23 of £2,134m reflects underlying revenue of £2,133m, adjusted for £1m of revenue from Corecon which was acquired during FY23.

Operating profit

Underlying and organic operating profit grew by 21% to £529m (FY23: £438m), resulting in a particularly strong increase in operating margin of 220 basis points to 22.7% (FY23: 20.5%). This was driven by strong revenue growth and operating efficiencies, with disciplined cost management supporting ongoing investment.

Operating profit—underlying and organic reconciliation to statutory

	FY24		FY23	
Operating profit bridge	Operating profit	Operating margin	Operating profit	Operating margin
Statutory	**£452m**	**19.4%**	£315m	14.4%
Recurring items[7]	**£82m**		£103m	
Non-recurring items				
• Property restructuring	**–**		£32m	
• Employee-related costs	**(£3m)**		£9m	
• Reversal of restructuring costs	**(£2m)**		(£3m)	
Impact of FX[8]	**–**		(£18m)	
Underlying	**£529m**	**22.7%**	£438m	20.5%
Disposals	**–**	**–**	–	–
Acquisitions	**–**	**–**	–	–
Organic	**£529m**	**22.7%**	£438m	20.5%

6. Impact of FX retranslating FY23 revenue and costs at FY24 average rates.
7. Recurring and non-recurring items are defined in the Glossary and detailed in note 3.6 of the financial statements.
8. Impact of retranslating FY23 revenue at FY24 average rates.

The Group achieved a statutory operating profit in FY24 of £452m. Underlying operating profit of £529m in FY24 reflects statutory operating profit adjusted for recurring and non-recurring items.

Recurring items of £82m (FY23: £103m) comprise £48m of amortization of acquisition-related intangibles (FY23: £54m) and £34m of M&A-related charges (FY23: £49m). Non-recurring items in FY24 comprise a £3m reversal of employee-related charges for French payroll taxes relating to previous years (FY23: £9m charge), and a £2m reversal of restructuring costs (FY23: £3m). Non-recurring items in FY23 also include property restructuring charges of £32m. Together, recurring and non-recurring items reduced by £64m compared to the prior year.

In addition, the retranslation of FY23 underlying and organic operating profit at current year exchange rates has resulted in an operating profit headwind of £18m. This has led to a 40-basis point margin headwind from foreign exchange to 20.5% (FY23 underlying as reported: 20.9%).

EBITDA

EBITDA was £622m (FY23: £534m) representing a margin of 26.6%. The increase in EBITDA principally reflects the growth in underlying operating profit, together with a £5m reduction in underlying depreciation and amortisation to £48m (FY23: £53m) as a result of property restructuring.

	FY24	FY23	Margin
Underlying operating profit	**£529m**	£438m	22.7%
Depreciation & amortisation	**£48m**	£53m	
Share-based payments	**£45m**	£43m	
EBITDA	**£622m**	£534m	26.6%

Net finance cost

The underlying net finance cost for the year decreased to £27m (FY23: £32m), reflecting higher interest income on deposits, and is broadly in line with the statutory net finance cost of £26m (FY23: £33m).

Taxation

The underlying tax expense for FY24 was £120m (FY23: £92m), resulting in an underlying tax rate of 24% (FY23: 23%). The underlying tax rate has increased principally due to the recent rise in the UK corporation tax rate. The statutory income tax expense for FY24 was £103m (FY23: £71m), resulting in a statutory tax rate of 24% (FY23: 25%).

Earnings per share

	FY24	FY23	Change
Statutory basic EPS	**32.1p**	20.7p	+55%
Recurring items	**6.3p**	8.8p	
Non-recurring items	**(0.5)p**	2.8p	
Impact of foreign exchange	**–**	(1.4)p	
Underlying basic EPS	**37.9p**	30.9p	+23%

Underlying basic EPS increased by 23% to 37.9p, reflecting higher underlying operating profit. Statutory basic EPS increased by 55%, reflecting the increase in underlying basic EPS together with lower charges for recurring and non-recurring items compared to the prior year.

Cash flow

Sage remains highly cash generative with underlying cash flow from operations increasing by 23% to £649m (FY23: £528m), representing underlying cash conversion of 123% (FY23: 116%). This strong cash performance reflects further growth in subscription revenue and continued good working capital management. Free cash flow growth of 30% to £524m (FY23: £404m) reflects strong underlying cash conversion.

Cash flow APMs	FY24	FY23 (as reported)
Underlying operating profit	**£529m**	£456m
Depreciation, amortisation and non-cash items in profit	**£44m**	£51m
Share-based payments	**£45m**	£43m
Net changes in working capital	**£55m**	–
Net capital expenditure	**(£24m)**	(£22m)
Underlying cash flow from operations	**£649m**	£528m
Underlying cash conversion %	***123%***	*116%*
Non-recurring cash items	**(£5m)**	(£11m)
Net interest paid and derivative financial instruments	**(£25m)**	(£24m)
Income tax paid	**(£91m)**	(£85m)
Profit and loss foreign exchange movements	**(£4m)**	(£4m)
Free cash flow	**£524m**	£404m

Statutory reconciliation of cash flow from operations	FY24	FY23 (as reported)
Statutory cash flow from operations	**£625m**	£505m
Recurring and non-recurring items	**£44m**	£41m
Net capital expenditure	**(£24m)**	(£22m)
Other adjustments including foreign exchange translations	**£4m**	£4m
Underlying cash flow from operations	**£649m**	£528m

Net debt and liquidity

Group net debt was £738m at 30 September 2024 (30 September 2023: £561m), comprising cash and cash equivalents of £508m (30 September 2023: £696m) and total debt of £1,246m (30 September 2023: £1,257m). The Group had £1,138m of cash and available liquidity at 30 September 2024 (30 September 2023: £1,326m).

The increase in net debt in the period is summarised in the table below:

	FY24	FY23 (as reported)
Net debt at 1 October	**(£561m)**	(£733m)
Free cash flow	**£524m**	£404m
New leases	**(£26m)**	(£14m)
Acquisition of businesses	**(£34m)**	(£26m)
M&A and equity investments	**(£41m)**	(£30m)
Dividends paid	**(£199m)**	(£190m)
Share buyback	**(£348m)**	–
Purchase of shares by Employee Benefit Trust	**(£55m)**	(£1m)
FX movement and other	**£2m**	(£29m)
Net debt at 30 September	**(£738m)**	(£561m)

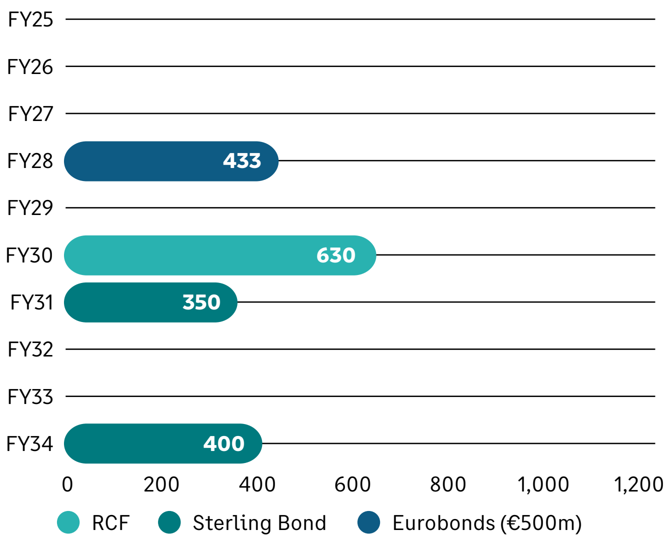
The Group's debt is sourced from sterling and euro denominated bond notes, together with a syndicated multicurrency revolving credit facility (RCF).

The Group's sterling denominated bond notes comprise a £400m 12-year bond, issued in February 2022, with a coupon of 2.875%, and a £350m 10-year bond, issued in February 2021, with a coupon of 1.625%. Sage's euro denominated bond notes comprise €500m of 5-year notes, with a coupon of 3.82%, issued in February 2023 as part of the Group's Euro Medium Term Note (EMTN) programme.

The Group's RCF of £630m expires in December 2029, having been extended by one year in November 2024. At 30 September 2024, the RCF was undrawn (FY23: undrawn).

Sage has an investment grade issuer rating assigned by Standard and Poor's of BBB+ (stable outlook).

Sage debt maturity profile (£m)



Capital allocation

Sage's disciplined capital allocation policy is focused on accelerating strategic execution through organic and inorganic investment and delivering shareholder returns. During FY24 Sage completed the acquisitions of Bridgetown Software (BidMatrix), a bid analysis tool for the construction industry; Infineo, a specialist in integrated reporting and data visualization software; and Anvyl, a provider of end-to-end supply chain management software.

Sage has a progressive dividend policy, intending to grow the dividend over time while considering the future capital requirements of the Group. The final dividend proposed by the Board is 13.50p per share, taking the total dividend for the year to 20.45p, up 6% compared to the prior year (FY23: 19.30p).

The Group also considers returning surplus capital to shareholders. On 11 April 2024, Sage completed a share buyback programme, commenced on 22 November 2023, under which a total of 29.3m shares were purchased for an aggregate consideration of £345m and subsequently cancelled.

Alongside these results, we have announced a further share buyback programme of up to £400m, reflecting Sage's strong cash generation, robust financial position, and the Board's confidence in the Group's future prospects. Sage continues to have considerable financial flexibility to drive the execution of its growth strategy.

	FY24	FY23 (as reported)
Net debt	**£738m**	£561m
EBITDA (last 12 months)	**£622m**	£553m
Net debt/EBITDA ratio	**1.2x**	1.0x

The Group's EBITDA over the last 12 months was £622m, resulting in a net debt to EBITDA leverage ratio of 1.2x, slightly up from 1.0x in the prior year. Sage intends to operate in a broad range of 1x to 2x net debt to EBITDA over the medium term, with flexibility to move outside this range as business needs require.

Return on capital employed (ROCE) for FY24 was 26% (FY23 as reported: 19%).

Going concern

The Directors have robustly tested the going concern assumption in preparing these financial statements, taking into account the Group's strong liquidity position at 30 September 2024 and a number of downside sensitivities, and remain satisfied that the going concern basis of preparation is appropriate. Further information is provided in note 1 of the financial statements on page 182.

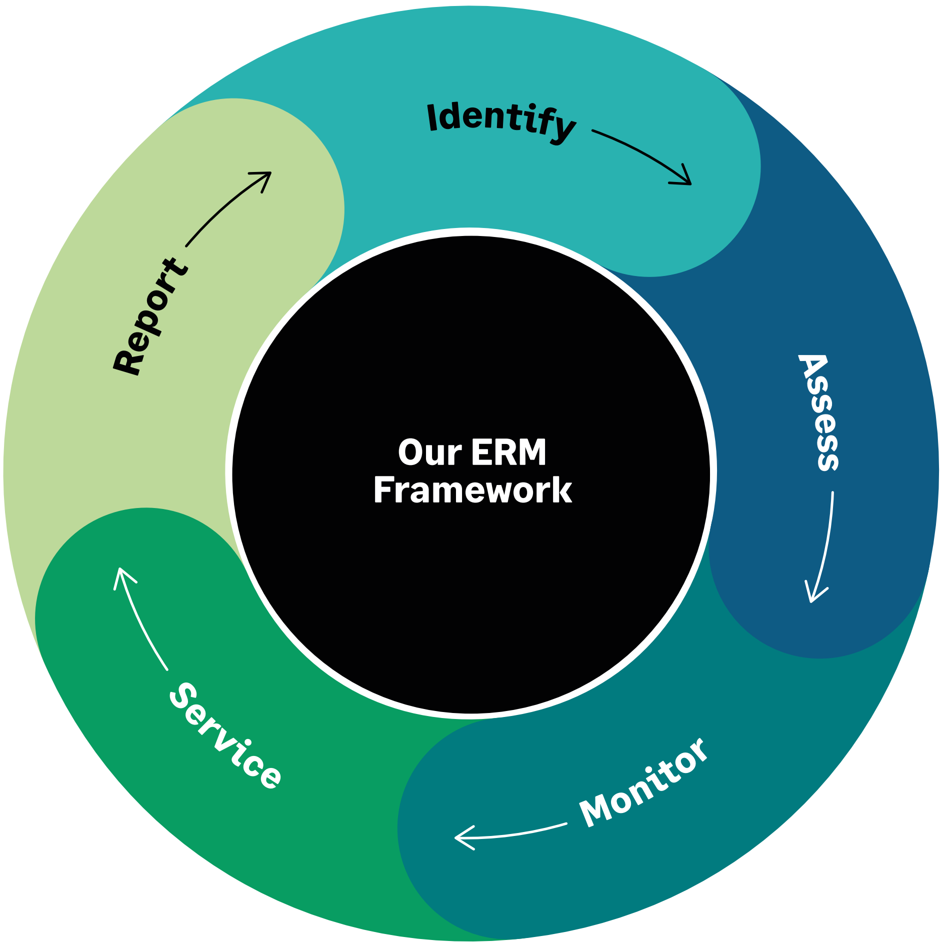
Foreign exchange

The Group does not hedge foreign currency profit and loss translation exposure and the statutory results are therefore impacted by movements in exchange rates. The average rates used to translate the consolidated income statement and to normalise prior year underlying and organic figures are as follows:

Average exchange rates (equal to GBP)	**FY24**	FY23	Change
Euro (€)	**1.17**	1.15	+2%
US Dollar ($)	**1.27**	1.23	+3%
Canadian Dollar (C$)	**1.73**	1.65	+4%
South African Rand (ZAR)	**23.50**	22.31	+5%

Risk Management Framework

Our Enterprise Risk Management Framework helps Sage manage strategic, operational, commercial, financial, compliance, change, and emerging risks, and enables a consistent approach to identifying, managing, and overseeing risks.



This helps us achieve our strategic objectives and goals through risk-informed decisions. We seek to continuously improve the use and adoption of Sage's ERM Framework, to ensure it is not a process that is merely applied to the business but, instead, something that is integral to how we make decisions and work day to day.

Using our ERM Framework, we expect all regions and functions to identify risks that could affect the successful execution of their strategy and operations while managing any risk exposure, ensuring appropriate controls and plans are in place. The ERM Framework helps focus our efforts on the areas that matter most to Sage, providing clarity about risk tolerances and appetite in a way that facilitates effective business decisions and ensures Sage is adequately prepared to manage risks.

How we identify risks

Our risk identification process follows an enterprise-wide “top-down, bottom-up” approach, which seeks to identify the following:

- Top-down, we focus on Principal Risks; these are the most significant risks to Sage that may affect our ability to achieve our strategic objectives.
- Bottom-up, we focus on strategic, commercial, operational, compliance, and change risks (“business risks”) that occur at a regional and functional level. These risks pose the greatest threat to the success of business activities across the Group.

How we assess risks

We analyse all risks for likelihood and impact using a risk- assessment criterion tailored for Sage, which considers impact on our customers and colleagues, and possible financial impact. The analysis considers risk before any mitigations (i.e. inherent risk) and after all current mitigations (i.e. residual risk). The key benefit of assessing inherent risk is that it highlights the potential risk exposure if mitigation were to fail completely or not be in place at all.

How we manage risk

We recognise that eliminating risk is often not feasible or desirable, so we use risk appetite for each of our Principal Risks to provide our leaders with the guidance they need to make decisions on the level of risk that can be taken or sought to achieve strategic objectives. Our risk appetite statements are set in collaboration with relevant leaders and using their expertise to ensure these align to current strategy and priorities, and are approved by the Board.

At a Principal Risk level, each risk is assigned an executive owner. The executive owner is responsible for the overall management of risk, ensuring adequate controls are in place and that the necessary action plans are implemented should the risk be outside of risk appetite.

In addition to the Principal Risks, business risks are identified and recorded at a regional or functional level. These risks are owned and managed within their respective management structures and are reviewed on an ongoing basis. Formal review of these risks takes place quarterly through Regional and Functional Risk Forums, which are described in the diagram on the next page.

Risk reporting and monitoring

We consider risks both individually and collectively to fully understand our risk landscape. By analysing the correlation between risks, we can identify those that have the potential to cause, affect, or increase another risk. This exercise informs our scenario analysis, particularly the combined scenario used in the Viability Statement on pages 73 and 74.

Principal Risks are monitored against our risk appetite targets using supporting measures and tolerances, which we evaluate throughout the year to ensure they remain aligned with our strategic objectives, and within an acceptable risk tolerance for the Group.

Business risks are considered from a Group-wide perspective and are presented to our senior leaders, who add their own input from a strategic, functional, and emerging-risk perspective. Business risks are then escalated in line with the Risk Management Policy and via our ERM Framework to Regional or Functional Risk Forums and then to the Global Risk Committee. This escalation process provides organisational visibility to emerging, strategic, commercial, operational, financial, and compliance risks, as well as supporting action and accountability for risk management. As part of the escalation process, the risks are analysed to consider whether they need to be included in the current set of Principal Risks, or whether a new Principal Risk should be created.

You can read more about Principal Risks on pages 67 to 72

Risk culture

Sage recognises that culture underpins the effectiveness of the ERM Framework and supports an effective control environment. Sage’s Values set out how our strategy should be executed and help ensure that a culture of managing risks effectively is linked to daily business activities and outcomes. Our Code of Conduct reinforces these Values and sets clear expectations across Sage for compliance with ethical standards. Values form a significant part of our colleague performance-management process, and in FY24, Culture continued to be managed as a Principal Risk.

Risk governance

Top down
Oversight, accountability, and assessment of Principal Risks, significant operational risks, and emerging risks

The Board
Ultimately responsible for setting Sage's risk appetite
Responsible for risk management and internal control systems
Establishes appropriate governance arrangements and acts as a champion of "top-down" risk culture

Audit and Risk Committee
Acts as an independent body, providing assurance to the Board on the effectiveness of Sage's approach to risk management
Oversight of financial reporting and related internal controls

Global Risk Committee
Provides oversight of risk appetite and approach to risk management strategy
Acts as a point of escalation for Regional and Functional Risk Forums
Provides oversight and approval of Sage's Principal Risks and their risk appetite statements

Regional and Functional Risk Forums
Responsible for reviewing key operational and strategic risks that could impact the regional strategy plans or Sage's Principal Risks
Responsible for providing oversight of risks from key functions such as Product, Security and IT

Bottom up
Identification and assessment of risk exposures at regional and functional level

The Board

The Board has overall responsibility for risk management and establishing the Group's risk appetite. It monitors the risk environment and reviews the relevance and appropriateness of the Principal Risks to the business.

Audit and Risk Committee

The ARC supports the Board in setting the Group's risk appetite and ensuring that processes are in place to identify, manage, and mitigate the Group's Principal Risks. At each meeting, the Committee reviews the Principal Risks and their associated appetite targets and metrics, to assess whether they continue to be relevant, effective, and aligned to the achievement of Sage's strategic objectives, and within an acceptable tolerance for the Group.

Global Risk Committee

The Global Risk Committee is chaired by the General Counsel and Company Secretary, supported by the EVP Chief Risk Officer, Chief Executive Officer, and Chief Financial Officer.

Other Principal Risk Owners are invited to attend the Global Risk Committee when relevant. The Committee meets quarterly and has the responsibility for providing direction and support for managing risk across Sage, including setting and monitoring the risk appetite of each Principal Risk and ensuring effective mitigations for these. The Committee also provides the Board and the ARC with information to enable them to discharge their responsibility for reviewing the Company's internal financial controls and risk management and internal control systems.

Regional and Functional Risk Forums

All business areas must adopt the ERM Framework. To do this, each business area either has a Risk Forum to review key operational as well as strategic risks that could implicate the execution of the regional or functional strategy plan, while ensuring there are sufficient mitigation plans in place to prevent those key risks from materialising. Risks are escalated from operational Risk Owners to the Forums, and on to the Global Risk Committee where necessary.

Three lines model

Our three lines governance model defines clear roles and responsibilities for all colleagues and establishes accountability for actions and decisions. It also describes how appropriate oversight, challenge, and assurance are provided over business activities.

1.

First Line

All colleagues
Identify, own, operate

First Line is all our colleagues who are at the forefront of the business. It is our colleagues who hold the necessary skills and knowledge to help identify and manage risks within our business. Colleagues in the first line have ultimate accountability for the management and ownership of risk while ensuring those risks are managed through the wider risk framework.

2.

Second Line

Sage Risk and Controls
Guide, support, oversee

Second Line consists of the Risk and Controls team. The team is responsible for setting the framework, policies, tools, and techniques to enable the First Line to manage risk effectively. As part of this role, the team is on hand to provide support and guidance to ensure a consistent approach to managing risk is maintained. This includes supporting the Global Risk Committee, and the Regional and Functional Risk Forums in fulfilling their responsibilities.

3.

Third Line

Sage Assurance
Independent and objective

Third Line is Sage's Internal Audit and Assurance team. The main role of our Assurance team is to ensure the first two lines of governance are operating effectively. They do this by conducting risk-based reviews of the effectiveness of risk management, internal controls, and governance. The Assurance team is accountable to the ARC, to provide comfort to Sage's leadership team that appropriate controls and processes are in place and are operating effectively.

Horizon scanning

Global conflicts (e.g. Russia-Ukraine, Israel-Gaza), trade war between the US and China, energy shortages, rising interest rates, and inflation are just some of the events which may have a material impact on Sage and our customers.

To maintain resilience in this continually changing external landscape, Sage has developed an ongoing horizon scanning process. This process enables us to monitor external events and trends and the resultant effect they may have on our colleagues, customers, and partners. External risks are reviewed at every Global Risk Committee meeting to ensure Sage is proactively responding to material events.

Part of our horizon scanning involves looking beyond the present by considering emerging risks. We run a series of workshops with representatives of all Sage business areas including Marketing and Customer Experience, Product, Security, Sustainability, People, Finance, and Strategy.

During the workshops, we consider current external mega-trends and global threats and opportunities over the short, medium, and long term. Through these workshops we are able to define a set of scenarios that may have an impact on Sage, as well as the potential time horizon of each scenario. Key themes identified during the process are listed in the table below. We then evaluate the extent of planning and mitigation Sage needs to put in place to ensure we are adequately prepared and protected for our key emerging risks. The plans and mitigations are considered by the Global Risk Committee, with updates provided to the Audit and Risk Committee for oversight.

Emerging risk scenario	Time horizon		
	1–2 years	3–5 years	Over 5 years
1. There is a risk that operating models of SMBs are reshaped through AI and automation. If Sage products are unable to keep pace with the changes or if Sage is unable to develop a reputation as a trusted leader in the accounting and payroll software market in incorporating AI into products, it may have a significant impact on market share and profitability.		●	
2. New regulations can create emerging opportunities (e.g. e-invoicing) as well as risks. Governments around the world are considering new regulations on data, cyber security, AI, and digital services. There is a risk that these regulations may introduce stricter controls and affect our ability to achieve the product strategy.		●	
3. There is a risk that Sage does not achieve the right balance in its investment strategy between efficiency and profitability, and building resilience, and this limits Sage's adaptability and capability to be resilient to external shocks.			●
4. There is a risk of a public backlash against large tech companies, due to concerns on data and AI ethics and erosion of privacy, increasing inequality, and compromising democratic and institutional systems. This would result in significant reduction in use of cloud software, including Sage's cloud solutions.			●
5. There is a risk that employees expect companies to take a stand on contentious or polarised issues that may have an unintended negative consequence on their reputation. Organisations face historic challenges within a competitive talent landscape and Sage will need to ensure the right balance between the needs and expectations of current and prospective colleagues and external stakeholders.	●		
6. A global economic downturn or an inflationary wage–price spiral, resulting in increased default of SMBs. This could lead to an increase in customer churn and a reduced ability to sell to new or existing customers. Additionally, increased labour costs in key markets could make it difficult for Sage to retain and attract talent.	●		

Principal Risks and uncertainties

The Board and the Audit and Risk Committee carried out a robust and ongoing assessment of the principal and emerging risks facing the Group throughout the year. This assessment considered the risks that would threaten Sage's business model, future performance, solvency or liquidity, and reputation, and ensured that the risks continued to align with our business strategy. In Q4 FY24, the number of Principal Risks was reduced from 12 to 10. The reason for the change was to ensure management and the Board's focus is on the most important areas and that accountabilities for risk ownership are clearer. Two of the customer-centred Principal Risks were consolidated into a single Principal Risk, a Principal Risk related to reliance on third parties was removed as a standalone Principal Risk but its sub-risks were reallocated to other Principal Risks, and the Principal Risk relating to Sage's Data Strategy was changed in scope to also encompass AI and data privacy risks.

The Board retains overall responsibility for setting Sage's risk appetite and for risk management and internal control systems.

In accordance with principles M, N, and O of the UK Corporate Governance Code 2018 (the "Code"), in addition to Paragraph 57 of the FRC guidance (Section 6), the Board is responsible for reviewing the effectiveness of the risk management and internal control systems and confirms that:

- There is an ongoing process for identifying, evaluating, and managing the Principal Risks faced by the Company;
- The systems have been in place for the year under review and up to the date of approval of the Annual Report and Accounts;
- They are regularly reviewed by the Board; and
- The systems accord with the FRC guidance on risk management, internal control, and related financial and business reporting.

There were no instances of significant control failing or weakness in the year.

You can read more about our risk management and internal control systems on pages 62 to 66, and about the associated work of the Audit and Risk Committee on pages 108 to 115

The following table provides an overview of the Group's Principal Risks and the way we manage these.

Key—Stakeholder groups

Colleagues · Customers · Society · Shareholders · Partners

Risk exposure change

Stable · Decreasing · Increasing

Principal Risk	Risk context	Management and mitigation
1. Customer experience **If we fail to deliver ongoing value to our customers by focusing on their needs over the lifetime of their customer journey, we will not be able to achieve sustainable growth through renewal.** **Trend** Stable **Stakeholder alignment** Customers, Partners, Colleagues, Shareholders **Link to viability scenario** Data breach Existing or new market disruptor Global economic shock Cloud operations failure	We must maintain a sharp focus on the relationship we have with our customers, constantly offering the products, services, and experiences they need for success. If we meet or exceed their expectations, customers will stay with Sage, increasing their lifetime value, and becoming our greatest advocates. By aligning our people, processes, and technology with this focus in mind, all Sage colleagues can help our customers to be successful and, in turn, improve financial performance. **Executive Owner** Chief of Staff	• Brand-health surveys to provide an understanding of customer perception of the Sage brand and its products, used to inform and enhance our market offerings. • A Market and Competitive Intelligence team to provide insights that Sage uses to win in the market. • Proactive analysis of customer activity and churn data, to improve customer experience. • Customer Advisory Boards, Customer Design Sessions, and closed-loop feedback to constantly gather information on customer needs. • Customer-journey mapping to ensure appropriate strategy alignment and alignment to Target Operating Model. • "Customer for life" roadmaps, detailing how products fit together, any interdependencies, and migration pathways for current and potential customers. • Continuous NPS surveying allows us to identify customer challenges rapidly, and respond in a timely manner to emerging trends. • Sage Membership offered to all customers, providing customers with access to curated resources, tools, and a connected community of business leaders.

Principal Risks and uncertainties continued

Principal Risk	Risk context	Management and mitigation
2. Execution of product strategy **If we fail to deliver the capabilities and experiences outlined in our product strategy, we will not meet the needs of our customers or commercial goals.** **Trend** **Stakeholder alignment** **Link to viability scenario** Existing or new market disruptor Global economic shock Cloud operations failure	Sage needs to continuously adapt its approach to new technologies and challenges. This needs to be underpinned by a clear direction and guardrails through the product strategy to support of the go to market offerings. Ensuring Sage simplifies its product offering and partners with the right businesses is critical to responding to these challenges. **Executive Owner** Chief Product Officer	• A robust product organisation supported by a governance model to enable the way we build products. • Migration framework in key countries to support our customers as they move to the cloud. • Continued expansion of Sage Intacct outside of North America and for additional product verticals. • Enhancing accessibility of Sage cloud products to WCAG 2.1 AA standard by the end of 2025. • A strong focus on accountants through a tailored Sage for Accountants proposition. • Acquisition of Bridgetown Software to strengthen Sage's Construction and Real Estate portfolio. • AI developments through the announcement and launch of Sage Copilot AI-powered productivity assistant into existing Sage products during the year, and partnership with AWS to launch the first domain-specific accounting Large Language Model (LLM).
3. Developing and exploiting new business models **If Sage is unable to develop, commercialise, and scale new business models to diversify from traditional Software as a Service (SaaS), especially consumption-based services and those which leverage data.** **Trend** **Stakeholder alignment** **Link to viability scenario** Data breach Existing or new market disruptor Global economic shock Cloud operations failure	Sage must be able to identify, design and deploy new innovations to create new or enhance existing products and capabilities. Unlocking the ability to do this at pace will enable access to new markets and/or customers early, driving new revenue and opportunities for the business. **Executive Owner** Chief Product Officer	• A business unit solely focused on scaling Sage Network. • Continued digitalisation and automation of Sage products through Sage Network and AI services. • Enhanced, consistent digital experience for all Sage Business Cloud users through the Sage Experience Platform. • A Venture Studios team asked to assess new business models that may align with the Sage vision. • Expansion of Sage's Fintech and Payments ecosystem through partnership with Stripe to simplify cashflow management for SMBs. • Managed growth of the API estate, including enhanced product development that enables access by third-party API developers and optimisation of API integrations to improve efficiency. • Sage Developer platform announced at Transform 2024 to expand developer community.

Principal Risk	Risk context	Management and mitigation
4. Route to market **If we fail to deliver a globally consistent blend of route to market channels in each market, Sage will miss the opportunity to efficiently deliver the right capabilities and experiences to our current and future customers.** **Trend** **Stakeholder alignment** **Link to viability scenario** Data breach Existing or new market disruptor Global economic shock Cloud operations failure	We have a blend of channels to communicate with our current and potential customers and ensure our customers receive the right information, on the right products and services, at the right time. Our sales channels include selling directly to customers through digital and telephone channels, via our accountant network, and through partners, and we will adapt our approach to target customers in our key verticals. We use these channels to maximise our marketing and customer engagement activities. This can shorten our sales cycle and ensure we improve customer retention, maximising our market opportunity. **Executive Owner** Chief Growth Officer	• Chief Growth Officer and Chief Commercial Officer appointments to demonstrate Sage's commitment to serve SMBs on a global and consistent basis. • A specific Onboarding Squad enhances user journeys to enable customer conversion. • Acceleration of new partnerships to support Sage Network. • Centre of Excellence to support our indirect sales and third-party approach. • Expansion of relationship with AWS to elevate sustainability for SMBs through the introduction of Sage Earth to the AWS marketplace.
5. People and performance **If we fail to ensure we have engaged colleagues with the critical skills, capabilities and capacity we need to deliver on our strategy, we will not be successful.** **Trend** **Stakeholder alignment** **Link to viability scenario** Data breach Global economic shock	As we evolve our priorities, the capacity, knowledge, and leadership skills we need will continue to change. Sage will not only need to attract the right talent to navigate change, but will also need to provide an environment where colleagues can develop to meet these new expectations. By empowering colleagues and leaders to make decisions, be innovative, and be bold in meeting our commitments, Sage will be able to create an attractive working environment. By addressing what causes colleague voluntary attrition, and embracing the values of successful technology companies, Sage can increase colleague engagement and create a aligned high-performing teams. **Executive Owner** Chief People Officer	• Extensive focus on hiring channels to ensure we are attractive in the market through our enhanced employee value proposition and enhanced presence through social media such as Glassdoor, Comparably, Twitter, LinkedIn, and Facebook. • Reward mechanisms designed to incentivise and encourage the right behaviour, with a focus on ensuring fair and equitable pay in all markets. • A series of Learning Academies and talent programmes to support the development of internal talent including sponsorship programmes, and new Director, graduate, and apprentice programmes. • An OKR framework to define measurable goals and track outcomes of colleague success. • Talent Marketplace solution to support identification of capabilities and gaps, talent pipeline, development and career pathways, and mentoring. • Strategic Workforce Planning Framework across the business.

Principal Risk	Risk context	Management and mitigation
6. Culture **If we do not define, shape, and proactively manage our culture in line with our brand values, we will be challenged to deliver our strategic priorities and purpose; we will risk disengaging colleagues, increasing attrition and impacting our ability to attract and retain diverse talent.** **Trend** **Stakeholder alignment** **Link to viability scenario** Data breach Global economic shock	The development of a shared behavioural competency that encourages colleagues to always do the right thing, put customers at the heart of business, and improve innovation is critical in Sage's success. Devolution of decision making, and the acceptance of accountability for those decisions, will need to go hand in hand as the organisation develops and sustains its shared Values and Behaviours, and fosters a culture that provides customers with a rich digital environment. Sage will also need to create a culture of empowered leaders that supports the development of ideas, and that provides colleagues with a safe environment allowing for honest disclosures and discussions. Such a trusting and empowered environment can help sustain innovation, enhance customer success, and encourage the engagement that results in increased market share. **Executive Owner** Chief People Officer	• Integration of Values and Behaviours into all colleague priorities including talent attraction, selection, and onboarding as well as OKRs. • All colleagues are encouraged to take up to five paid Sage Foundation days each year, to support charities and provide philanthropic support to the community. • A DEI strategy focused on building diverse teams, an equitable culture, and fostering inclusive leadership. This is supported by measurable plans and metrics to track progress, ensuring Sage meets its commitments, including no tolerance of discrimination, equal chances for everyone, an inclusive culture, removing barriers, and DEI education. • Code of Conduct training for all colleagues (including anti-bribery and corruption requirements) delivered as snippets, allowing Sage to signpost relevant training at colleagues' point of need. • Core e-learning modules rolled out across Sage, with regular refresher training. • Whistleblowing and incident-reporting mechanisms in place to allow issues to be formally reported and investigated. • New training aimed at colleagues with responsibilities for managing people to explain what high-performance culture means at Sage and provide tools and techniques to help embed this culture across the business. **Read more about this in the Journey to a high-performance culture section on page 26**
7. Cyber security **If we fail to ensure an appropriate standard of cyber security across the business, we will not be able to combat cyber threats, and will fail to meet our regulatory obligations and lose the trust of our stakeholders.** **Trend** **Stakeholder alignment** **Link to viability scenario** Data breach Cloud operations failure	Stakeholder trust is central to Sage's growth and cyber security is an essential component of that. Failure to safeguard customer and colleague data and ensure the availability of our products and critical services could have severe reputational, legal, and financial consequences. This means we must be confident our cyber security controls and the culture and awareness of our colleagues are sufficient to mitigate the dynamic and evolving cyber risk environment, while also supporting the agility and innovation of the business. **Executive Owner** General Counsel and Company Secretary	• Multi-year cyber security programmes in IT and Product to ensure Sage is continuously improving, and reduce cyber risk across technology, business processes, and culture. • Accountability within both IT and Product for all internal and external data being processed by Sage. The Chief Information Security Officer oversees information security, with a network of Information Security Officers that directly support the business. • Formal certification schemes maintained across the business include internal and external validation of compliance. • All colleagues are required to undertake awareness training for cyber security and information management. • A Cyber Security Risk Management Methodology and standards are deployed to provide clear requirements and objective risk information on our assets and systems. • A Trust and Security Hub and publication of Cyber security for SMBs report to support our customers and their understanding of cyber security in Sage products.

Principal Risk	Risk context	Management and mitigation
8. Data and AI governance **If Sage fails to collect, process, store, and use data in a way which is compliant with regulation, internal policy, and our ethical principles, we will lose the trust of our stakeholders. If we fail to recognise the value of our data and deliver effective data foundations, we will be unable to realise the full potential of our data assets.** **Trend** **Stakeholder alignment** **Link to viability scenario** Data breach Existing or new market disruptor	Data is central to the Sage strategy and our ambition to deliver sustainable growth by leveraging AI and expanding Sage Network. The strategy is underpinned by our ability to innovate customer propositions, improve insight and decision making, and create new business models and ecosystems. Successful ability to use data will accelerate our growth and will be key in helping customers transform how they run and build their businesses and Sage must do this in a way which is compliant with laws and regulations, and in line with our Values. **Executive Owner** General Counsel and Company Secretary	• Published AI and Data Ethics Principles to ensure we use customer data responsibly to achieve our strategy, and an ethics checklist, assessing adherence to principles. • Governance policies, processes and tooling to enhance and manage the quality and trust in our data. • The implementation of data architecture and associated data models that facilitate data sharing and utilisation. • A Sustainability, AI, and Data Ethics Committee, which includes members from the Executive Leadership Team and attendees from the Sage Board, governing activities relating to data and AI ethics. • All colleagues are required to undertake awareness training for data protection, with a focus on all relevant data privacy laws and regulations. • A Trust and Security Hub to support our customers and their understanding of cyber security, data privacy, and AI and data ethics in Sage products.
9. Readiness to scale **As Sage's ambition grows, if it fails to ensure its cloud products can build and operate at an industrial, global scale, it will erode its competitive advantage.** **The hosting of its products must achieve economies of scale, aligned to ambition, in parallel with the ability to accelerate to market with quality. Both must be achieved with reduced environmental impact and zero customer impact.** **If not addressed, Sage's cloud products would be less resilient and less able to respond to its customer expectations.** **Trend** **Stakeholder alignment** **Link to viability scenario** Data breach Cloud operations failure	As Sage continues to build sustainable growth, we continue to focus on scaling our current and future platform-services environment in a rigorous, agile, and speedy manner to ensure we provide a consistent and healthy cloud platform and associated network. Sage must provide the right infrastructure and operations for all customer products, a hosting platform and the governance to ensure optimal service availability, performance, security protection, and restoration (if required). **Executive Owner** Chief Product Officer	• Cost optimisation of cloud-native products and continued migration of legacy footprint to public cloud. • Accountability across product owners, underpinned by ongoing risk assessments and continuous improvement projects. • Formal onboarding process through ongoing portfolio management. • Incident and problem management change processes adhered to for all products and services, with new acquisitions onboarded in less than 90 days. • Service-level objectives including uptime, responsiveness, and mean time to repair. • Defined real-time demand-management processes and controls, and also disaster-recovery capability and operational-resilience models. • A governance framework to optimise operational cost base in line with key metrics. • All new acquisitions are required to adopt Sage cloud operation standards.

Principal Risks and uncertainties continued

Principal Risk	Risk context	Management and mitigation
10. Environmental, social, and governance **If Sage is unable to respond to evolving stakeholder expectations and ESG regulation, Sage could face fines and potential legal action, damaging Sage's reputation and brand, and diminishing stakeholder trust and credibility.** **In addition, if Sage fails to respond to the range of opportunities and risks associated with sustainability and Sage Foundation, it would be less resilient, less competitive, and could put its licence to operate at risk.** **Trend** **Stakeholder alignment** **Link to viability scenario** Global economic shock Cloud operations failure	We invest in education, technology, and the environment to give individuals,SMBs, and our planet the opportunity to thrive. Internally, it is essential that Sage understands the potential impact of climate change on its strategy and operations, and considers appropriate mitigations. Societal and governance-related issues are integral to Sage's purpose and Values and to the achievement of Sage's strategy. You can read more about the work we are doing on ESG in the Sustainability and Society Report. **Executive Owner** Chief Commercial Affairs Officer	• Sage's Sustainability and Society strategy, informed by a rigorous materiality assessment, focusing on three pillars: Protect the Planet, Tech for Good, and Human by Design. • Ensuring adequate executive oversight through the Sustainability, AI, and Data Ethics Committee. • Enabling accountability through integration on ESG measures within long-term incentive plans. • An integrated framework for the management of ESG-related risk and, in particular, physical and transitional climate risks, as detailed by the TCFD. • External limited assurance obtained over selected metrics to ensure accuracy of sustainability data and claims.

Assessment of prospects and viability period

In accordance with provision Section 4.31 of the UK Corporate Governance Code 2018, the Directors set out how they have assessed the Group's prospects, the period covered by the assessment and the Group's formal Viability Statement.

The Directors have assessed the prospects of the Group by considering the Group's current financial position, its recent and historic financial performance and forecasts, its business model and strategy (pages 8 to 9 and 15 to 21), and the Principal Risks and uncertainties (pages 67 to 72).

The Group's operational and financially robust position is supported by:

- High-quality recurring revenue base;
- Resilient cash generation and a robust liquidity position, which is supported by strong underlying cash conversion of 123%, reflecting the strength of the subscription business model; and
- A well-diversified small and mid-sized customer base.

The Directors have reviewed the period used for the assessment and determined that three years remained suitable. The Directors are of the view that projections over a three-year period remain appropriate given the relative predictability of cash flows associated with Sage's subscription business during this period. This period aligns our Viability Statement with our three-year strategic planning horizon and is appropriate given the nature and investment cycle of a technology business. Projections beyond this period are less reliable due to the continuously evolving technology landscape in which Sage operates.

No scenario modelled over the three-year period leads to insufficient liquidity headroom. The Directors have no reason to believe the Group will not be viable over a longer period.

Assumptions

The financial forecasts contained in the Group's three-year plan make certain assumptions about the composition of the Group's product portfolio, and the ability to acquire new customers and maintain a strong renewal rate by value by providing additional functionalities to our existing customers. The plan also assumes that the Group continues to generate resilient cash conversion in excess of 100%, pays debt and interest instalments as they fall due, and that the existing borrowing facilities remain available to the Group. Based on the Group's current liquidity profile, no debt maturities fall within the three-year period.

The assessment process

In forming the Viability Statement, the Directors carried out a robust assessment of the Principal Risks and uncertainties facing the Group which could impact the business model. These are reviewed by the Board and the Audit and Risk Committee quarterly and are a foundation for the Group's strategic plan. The risk process is outlined in more detail on pages 62 to 66.

As part of the assessment, the Group stress tests the three-year plan using various severe but plausible scenarios. To achieve this, management reviewed the Principal Risks and considered which might threaten the Group's viability. None of the individual risks would in isolation compromise the Group's viability, and so several different severe scenarios were considered where Principal Risks arose in combination. The scenarios were developed with input from the Group's Global Risk Committee, which comprises representation from key functions across the business.

Under the stress scenarios, churn assumptions have been increased by up to 75% and a reduction by up to 50% of new customer acquisition and sales to existing customers considered. In all stress scenarios, the Group continues to have sufficient resources to continue in operational existence without triggering the need to renegotiate debt. Scenarios modelled reflect our latest assessment of the anticipated impact of the risks identified in line with the prior year.

The scenarios considered to be the most plausible and significant in performing the assessment of viability and the combination of Principal Risks involved are shown on the next page.

The monetary impact of each scenario was estimated by a cross-functional group of senior leaders, including representatives from Finance, Risk, ESG, Cloud Operations, IT, Product Marketing, and Legal, who evaluated the possible consequences on the Group should each scenario arise.

As set out in the Audit and Risk Committee's report on page 112, the Directors reviewed and discussed the process undertaken by management, and also reviewed the results of reverse stress testing performed to provide an illustration of the level of churn and deterioration in new customer acquisition which would be required to exhaust cash down to minimum working capital requirements. The result of the reverse stress testing has highlighted that such a scenario would only arise following a catastrophic deterioration in performance, well in excess of the assumptions considered in the viability scenarios set out on the next page.

Viability scenario	Linked Principal Risks
i) Data breach	
The deliberate targeting or accidental release of customer data which breaches data privacy laws and/or societal expectations in any region, could have a significant impact on Sage's reputation in the market, as well as impact its regulatory compliance in the various data protection laws to which Sage is subject.	• Customer experience • Developing and exploiting new business models • Route to market • People and performance • Culture • Cyber security • Data and AI governance • Readiness to scale
ii) Existing or new market disruptor	
The entry of a new player, or the expansion of an existing market player in the financial and accounting management space with a free or very low-cost offering or leveraging AI in a new way to disrupt the accounting software category, that significantly disrupts Sage's total market share.	• Customer experience • Execution of product strategy • Developing and exploiting new business models • Route to market • Data and AI governance
iii) Global economic shock	
The crystallisation of a global economic shock which leads to a global economic downturn or an inflationary wage-price spiral, resulting in increased default of small and medium sized businesses. This could lead to a significant increase in customer churn and a reduced ability to sell to new or existing customers. Additionally, increased labour costs in key markets could make it difficult for Sage to retain and attract talent.	• Execution of product strategy • Developing and exploiting new business models • Route to market • Customer experience • Environmental, social and governance • People and performance • Culture
iv) Cloud operations failure	
The risk of an event that causes the live services environment to be brought down due to the operating environment being changed internally through product or system changes, external or internal cyber-attack, or a key third-party provider being compromised. The risk also considers the extent to which hosting infrastructure supporting Sage's cloud operations could be physically damaged through an adverse climate event.	• Execution of product strategy • Developing and exploiting new business models • Route to market • Customer experience • Cyber security • Readiness to scale • Environmental, social and governance

In the event that the scenarios set out above were to arise, management would have a number of options available to maintain the Group's financial position, including cost reduction measures, the arrangement of additional financing, and a review of the sustainability of the dividend policy.

Confirmation of longer-term viability

Based on the assessment explained above, the Directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, for at least the next three years.

Corporate governance report

Governance at Sage

UK Corporate Governance Code 2018 Compliance Statement

The Board is pleased to confirm Sage's compliance (both in spirit and in form), with all relevant provisions of the UK Corporate Governance Code 2018 (the "Code") throughout FY24. A copy of the Code can be found on the Financial Reporting Council's (FRC) website: www.frc.org.uk. The Board believes in good corporate governance through effective oversight, including how Sage assures stakeholders on performance delivery and reports on its progress. Sage promotes open and transparent reporting, and the table opposite outlines where information can be found on how the Principles set out in the Code are embedded and applied across Sage.

The Board has continued with its chosen alternative approach to workforce engagement, through the Board Associate Programme, as permitted by the Code. This programme continues to strengthen the colleague voice in the Boardroom, leading to informed and consistent decision making by the Board, as well as educating colleagues on the role of the Board at Sage. The Board remains dedicated to clear and honest reporting. It has reviewed and is preparing for the changes to be introduced by the UK Corporate Governance Code 2024, which will begin applying to Sage from 1 October 2025, and will report on implementation and compliance at the appropriate time.

Board independence

- Independent (NEDs) **7**
- Independent on appointment (Chair) **1**
- Not independent (CEO, CFO) **2**

Board tenure

- Less than a year **0**
- 1 to 3 years **2**
- 3 to 6 years **6**
- Over 6 years **2**

Leading with purpose

Effective leadership to promote sustainable success.

Andy Duff
Chair

Preparing for upcoming changes

2024 Corporate Governance Code
The new UK Corporate Governance Code takes effect from 2025, and introduces changes to improve transparency and accountability in corporate governance practices. The Board is diligently preparing for its implementation, and is committed to meeting the requirements within the necessary timeframes. We will report on our implementation progress in due course.

Read more on pages 75 and 110

Dear shareholder,
On behalf of the Board, I am pleased to introduce our Governance Report for the financial year ended 30 September 2024.

The Board is responsible for the effective leadership of the Group and for promoting its long-term sustainable success. Through FY24, the Board has carefully monitored progress and performance of the Group against Sage's strategic framework, whilst paying close attention to the further development of our initiatives in the areas of stakeholder engagement and managing and monitoring culture to ensure its alignment with our purpose and Values.

This report outlines our robust Corporate Governance framework and demonstrates how it protects stakeholder value and underpins the delivery of our strategy. It also provides an insight into the activities of the Board and Committees in FY24 and how we seek to ensure that we have effective systems and processes in place to monitor and manage risks in the current macroeconomic environment, while capitalising on opportunities presented by digital transformation.

Insight into key principal decisions of the Board are set out on pages 46 and 47.

Board composition and succession

During the year, the Board's composition, skills, and the broader aspects of diversity were reviewed to ensure that the Board continues to function effectively. I am pleased to confirm that, since January 2024, the Board has met all three targets specified in the UK Listing Rules, namely that at least 40% of the Board are women, at least one of the senior Board positions (Chair, Chief Executive Officer, Senior Independent Director, or Chief Financial Officer) is a woman, and at least one member of the Board is from a minority ethnic background.

FY24 saw the completion of a period of planned transition for the Board. Drummond Hall stood down from the Board in December 2023 and was succeeded in the role of Senior Independent Director by Annette Court. Annette is a trusted and valued Board member and her strong knowledge of the Group and wealth of director experience, along with her personal attributes, made her an ideal candidate. Further details on the internal process for the appointment of Annette Court as a Senior Independent Director is available in our FY23 Annual Report.

Scan the QR code for further insight into the FY23 Annual Report.

During the year, the Nomination Committee reviewed the composition of the Board Committees. This review resulted in the appointment of Roisin Donnelly as Remuneration Committee Chair in May 2024, succeeding Annette Court, and the appointment of Jonathan

Bewes to the Nomination Committee, also in May 2024. Both appointments were approved by the Board. As announced in October 2024, Sangeeta Anand has expressed her intention to step down from the Board and will not stand for re-election at the 2025 Annual General Meeting (AGM). The Nomination Committee has initiated a process to appoint a new Non-executive Director and we will keep shareholders updated with progress on this appointment as appropriate.

For more information on our Board diversity, composition, and succession planning, please see pages 100 to 107.

Our culture

Our culture and Values define the way Sage does business. The Board plays a leading role in setting the Sage culture, which starts with our colleagues. The Board seeks to create space and opportunities to engage with colleagues across the Group as regularly as possible, to help it understand what matters most to them. It is our collective responsibility to build culture into everything we do and ensure that all colleagues feel free to bring their authentic self to work and realise their full potential.

The Board monitored a number of cultural indicators during the year. These included formal Board updates, insight into colleague sentiment and views through the role of the Board Associate and impressions gained by the Board through direct interaction with colleagues, during engagement activities, Board presentations, and visits to Sage offices. In FY24, we appointed our new Board Associate, Amy Cosgrove, VP People North America and Product, who is based in Atlanta. Amy brings her own perspective as well as the views of our colleagues into the Boardroom, which is invaluable. She has also already done a substantial amount of good work to highlight the Board's role to our colleagues.

You can read more about how the Board monitors culture and the role of the Board Associate on pages 94 to 97. Details on how the Board has engaged with stakeholders and discharged our section 172 duties during the year are on pages 44 to 54 and 90 to 93.

Board evaluation and effectiveness

In accordance with the Code, the Board undertakes an annual review of its own effectiveness, its Committees and individual Directors' performance, to ensure they are operating effectively and to identify development opportunities, where necessary. This year, I led an internally facilitated effectiveness review , supported by the Company Secretary. The Board has concluded that it remains effective, fosters a positive culture and maintains a strong sense of accountability to stakeholders.

Annual General Meeting

The 2025 AGM will be held on Thursday, 6 February 2025 at Sage's Newcastle office. I hope you will be able to attend. The Board looks forward to meeting shareholders, hearing their views and answering any questions. Further details about the 2025 AGM, including the resolutions to be tabled for shareholder approval, will be provided in the Notice of Annual General Meeting, which will be available to view on our website at www.sage.com.

Looking forward

As we continue to focus on sustainable growth, I would like to extend my gratitude to my Board colleagues, the Executive Leadership Team, and all our colleagues across the business. Your dedication, loyalty, and hard work throughout the year have positioned us strongly to achieve against our evolved strategic goals in FY25.

Andrew Duff
Chair

Board of Directors

Key

- Audit and Risk Committee **See pages 108 to 115**
- Nomination Committee **See pages 100 to 107**
- Remuneration Committee **See pages 116 to 155**
- (C) Committee Chair

Changes to the Board and to Board Committees during FY24 and as at the date of this report

- Drummond Hall retired from the Board on 31 December 2023
- Annette Court was appointed as Senior Independent Director on 1 January 2024
- Roisin Donnelly was appointed as Chair of the Remuneration Committee on 1 May 2024
- Jonathan Bewes was appointed as a member of the Nomination Committee on 1 May 2024
- Sangeeta Anand will not stand for re-election at the 2025 AGM and will cease to be a Director after the AGM

Information on Board succession planning activities can be found on pages 100 to 107.

Further information on the composition of the Board and its Committees can be found on page 84 to 86.

(C)

Andrew Duff
Chair

Appointed
Independent Non-executive Director on 1 May 2021 and Non-executive Chair on 1 October 2021

Gender
Male

Ethnicity
White

Nationality
British

Skills
Andrew has a wealth of experience as a non-executive director and chair, with a strong track record of transforming high profile international businesses.

He is an effective leader with strategic insights and international experience. Andrew has a strong focus on purpose, culture, customer-centricity, and delivering value for all stakeholders.

Key previous experience
Non-executive chair and chair of nomination committee of Elementis plc

Non-executive chair and chair of nomination committee of Severn Trent plc

Senior independent director and chair of remuneration committee of Wolseley plc

Chief executive officer of npower

Key external commitments
Non-executive director of UK Government Investments Limited

Steve Hare
Chief Executive Officer

Appointed
3 January 2014 as Chief Financial Officer, 31 August 2018 as Chief Operating Officer and as Chief Executive Officer on 2 November 2018

Gender
Male

Ethnicity
White

Nationality
British

Skills
Steve has significant financial, operational and transformation experience, which includes driving change programmes in several of his previous roles.

He has a broad knowledge of Sage, having joined the Board in January 2014 as CFO. Steve has an extensive understanding of the drivers and priorities needed for the commercial delivery of Sage's strategy and in creating a high-performance culture.

Key previous experience
Operating partner and co-head of the Portfolio Support Group at the private equity firm Apax Partners

Chief financial officer of Invensys plc, Spectris plc and Marconi plc

Key external commitments
None

Jonathan Howell
Chief Financial Officer

Appointed
15 May 2013 as a Non-executive Director and as Chief Financial Officer on 10 December 2018

Gender
Male

Ethnicity
White

Nationality
British

Skills
Jonathan is a highly experienced group finance director, chair and non-executive director.

He has significant financial and accounting experience, gained across several sectors, which allows him to provide substantial insight into the Group's financial reporting and risk management processes.

Jonathan has excellent working knowledge of Sage, having joined as an independent Non-executive Director and served as the Chair of the Audit and Risk Committee.

Key previous experience
Group chief financial officer of Close Brothers Group plc

Group chief financial officer of London Stock Exchange Group plc

Non-executive director of EMAP plc

Chair of FTSE International

Key external commitments
Non-executive director of Experian plc

Sangeeta Anand
Independent Non-executive Director

Appointed
1 May 2020

Gender
Female

Ethnicity
Asian

Nationality
American

Skills
Sangeeta is a Silicon Valley-based senior technology leader with extensive experience in leading P&L and growth across a range of public, PE-owned and startup companies.

She has deep operating experience in transforming complex product portfolios and go-to-market to capture cloud opportunity. Sangeeta's technology and business experience includes cyber security, cloud, enterprise software, SaaS, and application services.

Key previous experience
Chief marketing officer of Alkira Inc (disruptive SaaS networking startup)

Senior vice president of F5 Networks Inc

General manager and corporate vice president of SafeNet (part of Thales Group)

Vice president of Cisco Systems

Key external commitments
Independent board member of Direktiv.IO

Independent director of Tata Communications Limited

Dr John Bates
Independent Non-executive Director

Appointed
31 May 2019

Gender
Male

Ethnicity
White

Nationality
British, American

Skills
John is a visionary technologist and highly accomplished business leader in the field of technology innovation, including Artificial Intelligence and Machine Learning functionality to improve customer experience.

He is a pioneer, focusing on areas such as event-driven architectures, smart environments, business activity monitoring and evolution of platforms for digital business.

Key previous experience
Co-founder, president and chief technology officer of Apama (now part of Software AG)

Head of industry solutions and chief marketing officer of Software AG

Chief executive officer of Terracotta, Inc. (a subsidiary of Software AG)

Executive vice president of corporate strategy and chief technology officer at Progress Software

Chief executive officer at Plat.One (now part of SAP)

Chief executive officer of the Eggplant Group, part of Keysight Technologies Inc

Key external commitments
Chief executive officer of SER Group Holding GmbH

Jonathan Bewes
Independent
Non-executive Director

Appointed
1 April 2019

Gender
Male

Ethnicity
White

Nationality
British

Skills
Jonathan has a wealth of accounting and financial experience and has previously served as chair on an audit committee.

He has strong investment banking experience gained over a 25-year career in the sector. Jonathan has advised boards of UK and overseas companies on a wide range of financial and strategic issues, including financing, corporate strategy and governance.

Key previous experience
Investment banking experience with Robert Fleming, UBS, and Bank of America Merrill Lynch

Chartered accountant with KPMG

Vice-chair, corporate and institutional banking at Standard Chartered Bank plc

Key external commitments
Senior independent director and chair of the audit committee of Next plc

Non-executive director and chair of the audit and risk committee of the Court of the Bank of England

Non-executive director and chair designate of MONY Group Plc (anticipated to become chair on 1 January 2025)

Maggie Chan Jones
Independent
Non-executive Director

Appointed
1 December 2022

Gender
Female

Ethnicity
Asian

Nationality
American

Skills
Maggie has deep international marketing and brand experience gained from her time spent at some of the world's largest technology companies. She was SAP's first woman chief marketing officer, responsible for driving global marketing across more than 180 countries. Maggie is recognised as an industry thought-leader in the marketing and technology sector and was previously named as one of the "Most Influential CMO" in the world by Forbes.

Key previous experience
Non-executive director of Avast plc

Chief marketing officer of SAP

Founder and former chief executive of Tenshey, Inc

Key external commitments
Non-executive board advisor to Ontinue

Non-executive director and member of the nomination and responsible business committees, and designated NED for workforce engagement of BT Group plc

Annette Court
Senior Independent
Director

Appointed
1 April 2019

Gender
Female

Ethnicity
White

Nationality
British

Skills
Annette has experience of serving as chair of a remuneration committee, as well as in executive and non-executive director roles at the highest levels, including as chair of FTSE 100 companies. Annette has a strong technology background combined with a record of using ecommerce to drive commercial success. Annette has expertise in mentoring leaders to achieve greater clarity of purpose and provide a practical approach to problem-solving.

Key previous experience
Senior independent director of Jardine Lloyd Thompson Group

Chief executive officer of Europe General Insurance for Zurich Financial Services

Chief executive officer of the Direct Line Group

Member on the board of the Association of British Insurers (ABI)

Non-executive director of Foxtons Group plc

Chair of Admiral Group plc

Key external commitments
Chair of WH Smith PLC

Director of Admiral Europe Compañía de Seguros SAU (AECS)

Derek Harding
Independent
Non-executive Director

Appointed
2 March 2021

Gender
Male

Ethnicity
White

Nationality
British

Skills
Derek has significant financial experience, including leading business transformations and sharp financial acumen. He has broad experience across a range of commercially focused financial and operational roles including strategy, investor relations, mergers and acquisitions.

Key previous experience
Chief financial officer of Senior plc

Group finance director of Shop Direct

Finance director of Wolseley UK

Chief financial officer of Spectris plc

Key external commitments
President, Spectris Scientific and board member of Spectris plc

Roisin Donnelly
Independent
Non-executive Director

Appointed
3 February 2023

Gender
Female

Ethnicity
White

Nationality
British

Skills
Roisin brings extensive customer, marketing and branding experience to the Board, gained during her executive career at Procter & Gamble. She has a strong background in digital transformation and data, and significant knowledge and experience of developing Environmental, Social and Governance (ESG) strategies at board level.

Key previous experience
Non-executive director of Just Eat plc

Non-executive director of HomeServe Limited

Non-executive director of Holland & Barrett Limited

Non-executive director of Bourne Leisure Limited

Key external commitments
Non-executive director of NatWest Group plc

Non-executive director of Premier Foods plc

Our leadership continued

Executive Leadership Team

Changes to the Executive Leadership Team during FY24 and as at the date of this report

- Derk Bleeker was appointed as Chief Commercial Officer on 1 March 2024
- Eduardo Rosini was appointed as Chief Growth Officer on 1 March 2024
- Aziz Benmalek stepped down from the Executive Leadership Team on 14 February 2024
- Cath Keers will step down from the Executive Leadership Team on 31 December 2024

Walid Abu-Hadba
Chief Product Officer

Appointed
1 January 2022

Skills and experience
Walid has extensive industry experience and leadership skills gained in the technology sector, with a breadth of sector experience including software development and products. He is passionate about driving strategy and building the culture that delivers tangible, customer centric solutions.

Walid joined Sage in 2021, having previously spent 20 years at Microsoft, where he was corporate vice president responsible for the developer and platform evangelism group, before joining ANSYS, Inc as chief product officer. Most recently he was senior vice president of Oracle Developer Tools. He also holds several senior board advisor roles in the technology sector and patents in the field of AI.

Derk Bleeker
Chief Commercial Officer

Appointed
1 October 2019

Skills and experience
Derk is accountable for Sage's commercial performance and operations globally. Derk joined Sage in 2014 and has held a number of commercial, finance, M&A, and strategy leadership roles, including as Sage's Chief Corporate Development and Strategy Officer and most recently as President—EMEA.Derk became Chief Commercial Officer on 1 March 2024.

He has in-depth experience as a leader of corporate development, gained from working for a global industrial and medical technology company.

He also has experience in private equity and as an M&A specialist in investment banking.

Vicki Bradin
General Counsel and Company Secretary

Appointed
1 October 2016

Skills and experience
Vicki leads the Legal, Company Secretariat, Cyber Security, Risk, Compliance, Assurance and Procurement teams. She has extensive corporate legal experience, built over 20 years in global and magic circle law firms and in-house at large multi-nationals and UK-listed companies.

Vicki contributes in-depth software and technology sector knowledge and experience across a breadth of legal areas including M&A, litigation, risk, and intellectual property.

Amanda Cusdin
Chief People Officer

Appointed
1 October 2017

Skills and experience
Amanda joined Sage in March 2015, becoming Chief People Officer in September 2018. As well as leading our global People function, Amanda has overall executive accountability for Sage's Places strategy, creating world class workplaces that promote innovation, productivity, and wellbeing, and amplify the Sage experience for colleagues and visitors alike.

Before joining Sage, Amanda spent 18 years within a number of FTSE organisations, where she worked across all aspects of Human Resources to drive change and transformation, with particular focus on M&A integration. She is passionate about developing talent and leadership, and creating truly inclusive organisations which promote diversity.

Steve Hare
Chief Executive Officer and member of the Executive Leadership Team

See Board of Directors, page 78.

Jonathan Howell
Chief Financial Officer and member of the Executive Leadership Team

See Board of Directors, page 78.

Aaron Harris
Chief Technology Officer

Cath Keers
Chief Marketing Officer

Amy Lawson
Chief Brand and Corporate Affairs Officer

Eduardo Rosini
Chief Growth Officer

Appointed
1 April 2019

Skills and experience
Aaron is a key contributor and creator of Sage's technology strategy and advisor on its software architecture.

He has more than 20 years of high-tech engineering experience in business applications and software development strategies.

Aaron was a founding leader of Sage Intacct, which was acquired by Sage in 2017.

He led the company's product vision and technology direction, establishing Sage Intacct as the innovation leader in cloud financial management solutions.

Appointed
8 September 2020

Skills and experience
Cath is responsible for the global strategy and governance across all of Sage's marketing, including brand, events, digital channels, and marketing operations. She has valuable knowledge of digital and customer experience insights with a deep understanding of leveraging sales and marketing activity to build successful brands.

Her breadth of sector experience includes retail, marketing, and business development, gained in commercial roles at large global businesses.

Cath joined the Sage Board in July 2017 as an independent Non-executive Director and then served as a non-independent, Non-executive Director from April 2020 to June 2020.

Appointed
1 March 2022

Skills and experience
Amy joined Sage in 2015, becoming Chief Corporate Affairs Officer in 2022. She is responsible for corporate affairs and sustainability at Sage, including internal and external reputation and engagement. From FY25, Amy will also be responsible for the Brand, forming a new Brand and Corporate Affairs function.

She sets the global communications strategy across PR, colleague communications, public affairs and technology analyst relations.

Amy is also a former Board Associate at Sage.

Prior to joining Sage, Amy was head of the Cabinet Office media operation as a civil servant for the UK government and was Head of Communications for Channel 4 News, where she was responsible for protecting and promoting the reputation of the national news programme, its journalism and its presenters.

Appointed
1 March 2024

Skills and experience
Eduardo joined Sage in 2023 and was appointed Chief Growth Officer in 2024. He leads our global GTM strategy, programmes execution, and centres of excellence.

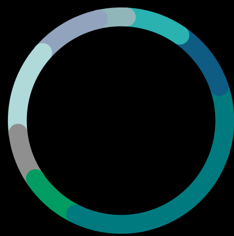
Eduardo has over 30 years of experience in global sales, marketing and business development with global software companies, including Microsoft, where he was corporate vice president for the SMB Solutions and Partners group. His leadership and expertise has been instrumental in scaling global GTM organisations to effectively meet the needs of SMB customers for leading software companies.

Executive Leadership Team composition[1]

Gender

- Male **6**
- Female **4**

Experience



- Technology and Innovation **12.5%**
- Financial **12.5%**
- Customer success **25.0%**
- Marketing/Brand **12.5%%**
- Corporate affairs **6.25%**
- Strategy **12.5%**
- Colleague success and ESG **12.5%**
- Legal, risk and governance **6.25%**

Tenure[2]

- Less than a year **1**
- 1–3 years **2**
- 3–6 years **4**
- Over 6 years **3**

1. The Executive Leadership Team composition data reflects the information as at 30 September 2024 and includes the Executive Directors
2. Jonathan Howell and Cath Keers' tenures do not for this purpose include their time as Non-executive Directors

Governance framework

The Company's governance framework ensures the optimum effectiveness of the Board, its Committees, and senior leadership

Scan the QR code for further insight into Sage leadership

Shareholders

Our shareholders are the owners of the Company and they play an important part in shaping our governance. More information about our shareholder engagement can be found on pages 54 and 88

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Board of The Sage Group plc.

The Board provides entrepreneurial leadership and defines the Company's purpose, strategy and Values. Collectively, the Board is accountable for the Group's strategic direction, and ensures alignment with its culture to secure the long-term sustainable success of the Company, for the benefit of all Sage stakeholders and wider society. More information about the Board's responsibilities is in the Matters Reserved for the Board document, available on our website

The Board is supported by three Committees with delegated authority to ensure they give the appropriate level of consideration on important topics on behalf of the Board. The Chair of each Committee reports to the Board on a regular basis to ensure all Board members have oversight of decision-making on the delegated matters

Each Committee operates under Terms of Reference approved by the Board, which are reviewed annually and can be found on our corporate website www.sage.com/en-gb/company/about-sage/leadership/board-committees/

↓

Audit and Risk Committee

To oversee the Group's financial and narrative reporting and risk management, assess effectiveness of internal control procedures, independence of Sage assurance (internal audit) and the external auditor. Responsibilities also include overseeing the integrity, accuracy, and consistency of the Group's Sustainability and ESG non-financial disclosures

See pages 100 to 107 for Audit and Risk Committee Report

Nomination Committee

To lead the process for successful succession planning of the Board, review its composition, including the structure and diversity of its Committees. The Committee oversees a talent development framework for senior management to maintain continuity of skilled talent

See pages 108 to 115 for Nomination Committee Report

Remuneration Committee

To determine the Remuneration Framework and establish the Remuneration Policy and packages fairly for the Executive Directors, the Chair, and other designated individuals and senior management, having regard to pay across the Group and the views of stakeholders

See pages 116 to 155 for Remuneration Committee Report

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Executive Leadership Team

The Board delegates responsibility for the day-to-day strategic deliveries and operational management of the Company to the CEO

Led by the CEO, the Executive Leadership Team is empowered by the CEO to execute and achieve the strategic and commercial goals, enhancing operating and financial performance while adhering to established risk management and internal control frameworks, with a focus on overseeing and nurturing the company culture

Roles and division of responsibilities

The Board comprises the Chair, seven independent Non-executive Directors and two Executive Directors.

There is a clear and distinct division between the roles of the Chair and the Chief Executive Officer. Each has a clearly defined remit, which is established and agreed by the Board.

As Directors of the Company, both the Non-executive and Executive Directors have the same duties, but distinct roles on the Board, which ensures the appropriate accountability and oversight.

Andrew Duff
Chair

- Leadership and effective operation of the Board
- Sets the Board agenda and ensures the Board receives accurate and timely information
- Leads the annual review of the Board effectiveness process
- Promotes an inclusive and open culture in the debate to ensure effective decision making as individuals and as a collective
- Ensures stakeholder views are considered in Board discussions and decision making
- Promotes the highest standards of corporate governance, assisted by the Company Secretary, and demonstrates objective judgement
- Promotes and safeguards the interests and reputation of the Company

Steve Hare
Chief Executive Officer

- Develops and proposes the corporate strategy (including sustainability) for Board consideration and leads the implementation of the strategy, having regard to shareholders and other stakeholders
- Leads the Executive Leadership Team and senior management to run the Group's business
- Ensures the Chair and Board are advised and updated regarding any key matters
- Leads the Executive Leadership Team in overseeing the operational and financial performance of Sage
- Maintains an effective and disciplined internal controls and risk management environment to ensure risks are rigorously managed
- Ensures Sage operates in line with its Values by doing the right thing and keeping its promises

Jonathan Howell
Chief Financial Officer

- Manages the Group's financial affairs, including any tax and treasury matters
- Supports the CEO in implementing the corporate strategy and overseeing operational performance
- Ensures effective financial reporting, processes, and controls are in place
- Engages with Sage's stakeholders, including managing relationships in the investment community
- Provides insights into the Group's commercial and financial position from within the business
- Recommends the annual budget and long-term strategic and financial plan

Annette Court
Senior Independent Director

- Provides support and acts as a sounding board for the Chair
- Serves as an intermediary for the Non-executive Directors
- Acts as an alternative contact for shareholders, if concerns have not been addressed through normal channels of communication
- Leads the performance appraisal of the Chair by the Non-executive Directors
- Together with the Nomination Committee, leads an orderly succession process for the Chair

Sangeeta Anand, Dr John Bates, Jonathan Bewes, Maggie Chan Jones, Roisin Donnelly and Derek Harding
Independent Non-executive Directors

- Contribute, challenge and monitor the delivery of strategic objectives and Group performance
- Oversee internal controls and the Risk Management Framework and ensure they are rigorous
- Provide external perspectives, independent insight, and support based on relevant experience
- Engage with internal and external stakeholders and take their views into account in their decision making
- Perform a key role in succession planning together with the Board Committees, Chair, and Senior Independent Director
- Serve on Committees and contribute to the effectiveness of those Committees
- Devote sufficient time to the Company to meet their responsibilities
- Shape our governance and culture across the Group

Vicki Bradin
Company Secretary

- Ensures the Board and its Committees receive relevant and timely information to function effectively and efficiently
- Ensures clear and timely information flow between the Board and its Committees, and between senior management and Non-executive Directors
- Advises and keeps the Board on legal, compliance, and corporate governance matters
- Supports the Chair with Board procedures by facilitating:
  — The provision of comprehensive and tailored inductions for Non-executive Directors
  — Non-executive Directors' training and professional development
  — Non-executive Directors' engagement plans with the business.

The Non-executive Directors' terms of appointment are available for inspection at Sage's Registered Office.

Board governance

The Board is responsible for the leadership of the Group and for setting the culture. The Board is committed to maintaining the highest standards of corporate governance in the management of its affairs and is supported by the activities of its Committees, as demonstrated in the governance framework on page 82. Information is shared throughout the governance framework, to ensure that all decision making is well informed, transparent, and balanced.

The Disclosure Committee

ensures compliance with the obligations of the UK Market Abuse Regulation, supports the Board in assessing when Sage may have inside information and ensures accurate and timely disclosure. The Disclosure Committee comprises the Chair, Chief Executive Officer, Chief Financial Officer, Chair of the Audit and Risk Committee, and the General Counsel and Company Secretary.

The governance framework also includes a number of additional supporting management committees, with three key corporate committees:

The Global Risk Committee

has the ultimate accountability of determining and managing strategic risks in order to mitigate risks and enable opportunities identified by the business. The Global Risk Committee comprises the General Counsel and Company Secretary (Chair), the Chief Executive Officer, and the Chief Financial Officer.

The Sustainability, AI and Data Ethics Committee

provides oversight for the direction and progress of Sage's Sustainability and Society strategy and ongoing adherence and developments to the AI and Data Ethics Principles. The Committee comprises the Chief Corporate Affairs Officer (Chair), EVP Sustainability and Foundation, EVP Chief Risk Officer (AI and Data Sponsor), General Counsel and Company Secretary, Chief Product Officer, Chief People Officer, and Chief Technology Officer.

The Mergers and Acquisitions Committee

considers proposals to acquire, divest, and/or make investments in businesses at the appropriate tollgates outlined in the Merger, Acquisition & Divestiture Policy. The Committee comprises the Chief Executive Officer (Chair), Chief Financial Officer, General Counsel and Company Secretary and the Chief People Officer.

There are further management committees which help drive efficiencies, mandated by the CEO and CFO and their membership is made up of either Executive Directors and/or senior management within the business, accordingly.

The subsidiary entities of the Group are also subject to the same robust standards of corporate governance and operate within a clearly defined delegated authority framework, which is fully embedded across the Group.

Board composition

The Board recognises that the diversity of its Directors should reflect a range of views, insights, perspectives, and opinions, to facilitate constructive discussion and enables enhanced decision making and effectiveness. The composition of the Board is subject to ongoing review and all Board appointments follow a formal and rigorous search process, which complements the comprehensive succession planning activities. The Board delegates to the skill and expertise of the Nomination Committee the responsibility to maintain the appropriate composition of the Board. The Nomination Committee ensures diversity features strongly in its work on succession planning.

Annette Court was appointed as Senior Independent Director with effect from 1 January 2024, following a rigorous internal selection process that established her suitability as successor to the outgoing Senior Independent Director.

The Board's DEI Policy was refreshed during FY24 and sets out its approach to diversity, equity, and inclusion (DEI) for the Board and its Committees. The Board DEI Policy ensures that appointments are made on merit set against objective criteria. The Board is mindful of the targets as set out by the UK Listing Rules, and aims to meet them as far as possible; however, it recognises that there may on occasion be temporary periods when this is not possible. As at 30 September 2024 and the date of this report, the Board meets the gender and ethnic diversity targets set by the FTSE Women Leaders Review, the Parker Review, and the UK Listing Rules, with 40% of Board members being women, Annette Court holding one of the specified senior Board positions, and two members of the Board being from an ethnic minority background. Further information on Board and executive management diversity is provided in the Nomination Committee report on page 104.

As announced by the Company in October 2024, Sangeeta Anand will be stepping down from the Board at the conclusion of the AGM on 6 February 2025, which the Board acknowledges could, from that time and for a period of time, impact Sage meeting the target of at least 40% of the Board being women. The Nomination Committee has initiated a process to appoint a new Non-executive Director and will update the market on its progress with this appointment.

Please see page 104 for further details of the skills and experience of the Board and pages 100 to 107 for more information on the Board DEI Policy and the succession planning activities of the Nomination Committee

Annual election and re-election of Directors

In accordance with Sage's articles of association, and the Code, all Directors who wish to continue to serve are subject to shareholder election or re-election at the AGM. For further information, please see page 104 of the Nomination Committee Report.

Time commitment

The Board takes the time commitment of the Non-executive Directors seriously and, as such, they are advised, prior to their appointment, of the commitments expected as part of their role at Sage. Non-executive Directors must seek prior approval of the Board for any additional external appointments. The Board considers the nature of each external appointment carefully, taking advice from the Nomination Committee, to ensure that the effectiveness of the Board would not be compromised and that the Directors will have sufficient time to discharge their obligations satisfactorily. No instances of overboarding were identified during FY24. For further information, please see page 85 of the Nomination Committee Report. The Non-executive Directors devote considerable time to the Group beyond the schedule of Board and Board Committee meetings. Their activities include consideration of out-of-cycle papers and submitted reports and discussion with the senior management and other subject matter experts, between Board meetings. Their activities also extend to briefings and training to ensure they maintain an in-depth understanding of the business and are kept up to date with emerging technology, regulations, and other matters affecting the Group. All Directors also attend site visits and participate in formal engagement plans to meet colleagues and other stakeholders.

For further information on the Directors' activities during FY24, refer to pages 90 to 93.

Induction

All new Directors are given a comprehensive, formalised induction programme tailored to their individual needs. These programmes consist of meetings and events, designed to ensure a smooth transition for the new Director to the Board. The programme is organised around three themes: business familiarisation, corporate governance including Directors' duties, and Director development. As part of the business familiarisation theme, the Directors spend time with members of the Executive Leadership Team and senior management to gain a deeper understanding and insight of the operation of relevant function lines and significant elements of the business.

During the induction period, the Director is regularly asked for feedback, and the programme is adapted as necessary.

Independence of the Non-executive Directors

The independence of Non-executive Directors allows them to sufficiently and constructively challenge management, underpins objective decision making and is the foundation of good corporate governance. As part of the annual review, the Board monitors independence by reviewing the external commitments and interests, and the tenure of each Non-executive Director. The Board considers all its Non-executive Directors to be independent in character and judgement in accordance with the Code.

Scan the QR code for insight into Sage's Board Committee membership and their Terms of Reference

Board and Committee meeting attendance and cross-membership[1]

Key

● Board ● Nomination Committee ● Audit and Risk Committee ● Remuneration Committee C Board Chair C Committee Chair S Secretary

Directors		Scheduled Board	Nomination Committee	Audit and Risk Committee	Remuneration Committee
Andrew Duff	C C	●●●●●	●●●	–	–
Steve Hare		●●●●●	–	–	–
Jonathan Howell		●●●●●	–	–	–
Sangeeta Anand	●	●●●●●	–	●●●●	–
Dr John Bates	●●	●●●●●	●●●	–	●●●●●●
Jonathan Bewes[2]	● C	●●●●●	●●	●●●●	–
Maggie Chan Jones		●●●●●	–	–	–
Annette Court[3]	●●●	●●●●●	●●●	●●●●	●●●●●●
Roisin Donnelly[4]	C	●●●●●	–	–	●●●●●●
Derek Harding	●	●●●●●	–	●●●●	–
Drummond Hall[5]		●	–	●	●●
Vicki Bradin[6]	S S S S	●●●●●	●●●	●●●●	●●●●●●

1. Attendance at meetings in accordance with the formal schedule of meetings during FY24. The table shows the Committees' current memberships. The composition of all Committees complied with the Code throughout the year. In FY24, there was 100% attendance at all scheduled Board meetings and Committee meetings by members. Committee attendance as set out above reflects attendance by Committee members only.
2. Jonathan Bewes was appointed to the Nomination Committee on 1 May 2024.
3. Annette Court stepped down as Chair of the Remuneration Committee on 1 May 2024. She continues to serve as a member of the Audit and Risk, Nomination and Remuneration Committees.
4. Roisin Donnelly succeeded Annette Court as Chair of the Remuneration Committee on 1 May 2024.
5. Drummond Hall resigned as an independent Non-executive Director on 31 December 2023.
6. The Company Secretary acts as a Secretary to the Board and all the Committees.

Managing conflicts of interest

Directors are required to disclose any actual or potential conflicts of interest to the Board immediately when they arise throughout the year. At each Board meeting, the Board formally considers a register of interests, commitments, and potential conflicts of the Directors, including potential new external appointments for Directors. When appropriate, the Board gives necessary approvals in accordance with our articles of association. If any possible conflict exists, Directors recuse themselves from consideration of the relevant subject matter.

Schedule of Board meetings

Board meetings are conducted in an environment that fosters open conversation, constructive challenge and debate. The Board is committed to maintaining a comprehensive schedule of meetings and a forward agenda to ensure its time is used most effectively and efficiently, and is supported by the Company Secretary to facilitate this. Members of the Board and Committees are expected to attend every scheduled meeting and any ad hoc meetings, where possible. If a Director cannot attend a meeting, due to either exceptional circumstances or prior commitments, they are encouraged to provide comments and observations to the Chair of the Board or Committee, so these can be provided at that meeting. The Board considers its meetings an important opportunity also to meet colleagues at different operating locations each year and aims to hold at least two meetings in different locations, providing an opportunity to engage with a diverse group of colleagues, including senior business leaders. This approach allows the Board to gain a deeper understanding of the business, listen to local colleagues' perspectives in person, and ask questions directly.

The Board is presented with standing papers from the prior meetings of the Audit and Risk, Nomination, and Remuneration Committees, which provide information on the key strategic decisions taken. At Committee meetings, irrespective of whether a Director is a member or not, they may attend, subject to recusal if any matter concerns the individual(s) or raises a potential conflict of interest.

In addition, the Chairs of the Audit and Risk, Remuneration and Nomination Committees update the Board on the proceedings of those meetings, including key topics and areas of concern.

To further assist information flows between the Board and its Committees, there are cross-memberships of the Committees, as shown in the table on page 86.

Informal Board interactions

The Board appreciates the importance of informal opportunities to meet and interact outside the Boardroom. This includes Board dinners, where the Board gathers in an unofficial capacity to be together and strengthen its existing relationships.

Such unstructured opportunities allow team bonding and promote an open culture, especially when the Directors are joined by other Sage colleagues from throughout the business.

Board Strategy Day

An annual Strategy Day is conducted with the Board and senior management to engage in deep, strategic thinking, review progress, identify opportunities and challenges, and set the direction for Sage's long-term future.

In FY24, the Strategy Day took place in January 2024, at the Newcastle office. Presentations covered topics such as product development, customer insights, and the competitive landscape. The Board engaged in discussions on strategic proposals, evaluated progress in executing the strategy, and considered the ongoing integration of a high-performance culture throughout the business.

For further information on Board activities, refer to pages 90 to 93.

Board meeting timeline

- 3 years
Dates and venues of Board meetings are set.

- 1 year
A rolling calendar of standing and periodic agenda items for the following 12 months is compiled and updated when appropriate, addressing key developments in the business.

- 1 month
The agenda of the meeting is prepared by the Company Secretary in consultation with the Chair and CEO. Report writers are sent templates and guidelines addressing format, which include stakeholder-specific considerations and the content required, reminders of allocated actions and deadlines for submission of draft and final papers.

- 7 working days
Papers are submitted to the Company Secretary for final review.

- 5 working days
Papers are circulated to the Board via a secure web portal, allowing Directors sufficient time to review and consider matters.

Board meeting

+ 10 working days
Minutes of the meeting and a schedule of actions are sent to the Chair for review. Those responsible for matters arising are asked to provide an update prior to the following meeting. The rolling calendar is updated after each meeting (as required), in readiness for the next meeting.

Board engagement

Engaging with all our stakeholders is crucial to the Group's long-term success. This year, the Board connected with all key stakeholders to understand their interests and incorporate them into Board decision-making. The Board also acknowledges the importance of meeting colleagues outside the formal meeting schedule, engaging in casual in-person interactions to gain a deeper understanding of Sage's culture.

Further information regarding engagement activities with our stakeholders can be found on pages 44 to 54.

Annual General Meeting

The 2024 AGM was held on 1 February 2024 at Sage's Newcastle office, as an in-person meeting. All our Directors, as well as the external auditor and members of senior management, were present in person at the 2024 AGM. All resolutions at the 2024 AGM were voted on a poll and were passed with over 89% of votes cast in favour. Details of our past AGMs are on our website, www.sage.com. The website is the principal means by which we communicate with shareholders.

The 2025 AGM is scheduled to be held on Thursday, 6 February 2025 at Sage's Newcastle office. The AGM is a key date in the Board's calendar allowing, an important opportunity to engage with shareholders.

Sage provides shareholders with the opportunity to submit questions about the business or any matter pertaining to the business of the AGM ahead of the meeting. Further details will be provided to our shareholders in the Notice of Meeting for the 2025 AGM.

Engagement with shareholders

Building meaningful relationships and maintaining ongoing dialogue with shareholders is crucial to Sage's strategy, as shareholders significantly influence the Company's long-term direction. Continuous engagement with our shareholders keeps the Company informed about investor concerns and interests, enabling Sage to respond, grow, and improve performance. This approach ensures that investor views are heard and that Sage's objectives and strategy are clearly understood. Sage provides quarterly updates on trading performance to shareholders. After announcing interim and final results, analysts are invited to presentations and interactions with the Executive Directors. The Investor Relations team organises a dedicated programme for Executive Directors to engage with shareholders through post-results roadshows and on an ad hoc basis.

Further information regarding engagement activities with our shareholders can be found on page 54.

Scheduled Board and Committee meetings timeline

November
Board meeting
Audit and Risk Committee meeting

Disclosure Committee meeting

2 Remuneration Committee meetings

January
Disclosure Committee meeting

February
Board meeting
Audit and Risk Committee meeting

Nomination Committee meeting

Remuneration Committee meeting

May
Board meeting
Audit and Risk Committee meeting

Nomination Committee meeting

Remuneration Committee meeting

Disclosure Committee meeting

July
Board meeting
Remuneration Committee meeting

Disclosure Committee meeting

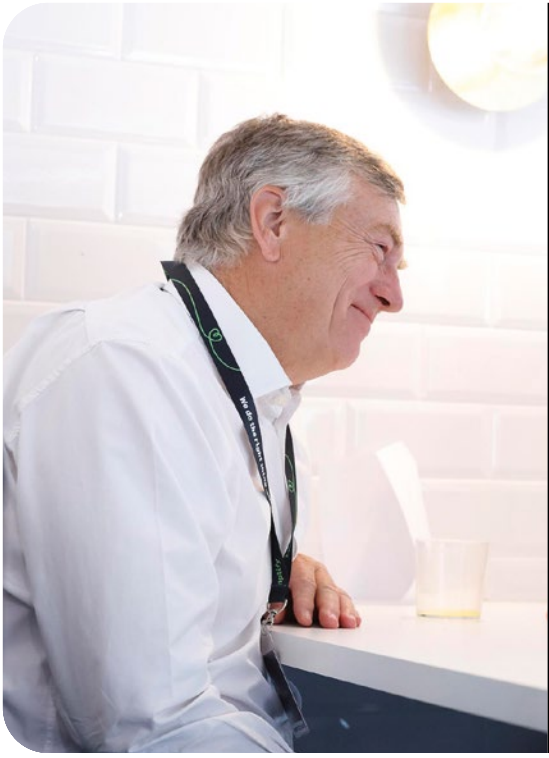
September
Board meeting
Audit and Risk Committee meeting

Nomination Committee meeting

Remuneration Committee meeting

Board activities

The table below sets out the key areas of Board focus during the year and how these align with the Group's Principal Risks. It also highlights the key stakeholders considered in the Board's discussions and decision making. The principal decisions of the Board during FY24 are included in the Strategic Report on pages 46 and 47.



Strategy and operations

Key stakeholders considered

- CEO report presented to each Board meeting, including key stakeholder, technology, and innovation updates
- CEO strategic execution dashboard discussed at each Board meeting
- Group structure considerations, including M&A strategy
- Board Strategy Day held to consider in depth strategic direction, priorities, and investment
- Deep dives on each of Sage's strategic priorities

Link to Principal Risks

1 2 3 4 5 6 7 8 9 10

People and culture

Key stakeholders considered

- Annual Board talent review and succession planning
- Monitoring progress on the Group's global DEI strategy
- Update on Board Associate and colleague engagement activities
- Sage Foundation annual update
- Sage Belong annual update
- Sage Values and culture update

Link to Principal Risks

5 6

Key stakeholder groups considered during FY24

Customers · Colleagues · Shareholders · Society

Principal Risks

1. Customer experience
2. Execution of product strategy
3. Developing and exploiting new business models
4. Route to market
5. People and performance
6. Culture
7. Cyber security
8. Data and AI governance
9. Readiness to scale
10. Environmental, Social and Governance

Customers and innovation

Key stakeholders considered

- CEO update, including customer satisfaction and engagement metrics
- Sage network strategy and measures discussed
- Consumer trends and technology developments discussed
- Competitor analysis and market share
- Key region business updates, including GTM performance, product strategy, and regional deep dives

Link to Principal Risks

1 2 3 4 6 7 8 9

Finance

Key stakeholders considered

- CFO report and financial performance update at each Board meeting, including KPI Dashboard
- Investor relations update at each Board meeting
- Interim and full-year results and trading updates
- Interim and full-year report and accounts
- Business planning review and FY25 budget approval
- Interim and final dividend
- Balance sheet, capital structure, and liquidity

Link to Principal Risks

1 2 3 4 5 9 10

Breakdown of Board activities

The proportion of time spent on the Board's key areas of focus at its scheduled meetings is set out in the adjacent diagram, with further details of its activities on pages 90 to 93.

Strategy

The Board receives updates on the Group's strategy at each Board meeting and also holds a Strategy Day every year; please refer to page 87 for more details.

Executive updates

The CEO and CFO provide updates to the Board at each scheduled meeting.

Governance

The Board receives regular legal and regulatory updates at each Board meeting.

Risk management

Key stakeholders considered

- Reviews of Principal Risks, including risk profile and appetite
- Review of internal controls framework
- Updates from management on whistleblowing cases
- Emerging risk trends
- Macro environment trends
- Review of escalated significant operational risks, where required
- Review of business resilience and continuity arrangements

Link to Principal Risks

1 2 3 4 5 6 7 8 9 10

Governance

Key stakeholders considered

- Review of Sage's core policies
- Review of Matters Reserved for the Board and the Board rolling agenda
- Annual effectiveness review and evaluation
- Review of Board Committee Terms of Reference
- Annual Report and Accounts review and approval
- Annual General Meeting
- Annual review of Sage stakeholders
- Litigation updates
- Modern Slavery Statement review and approval
- Review of insurance programme and Directors' and Officers' liability insurance

Link to Principal Risks

3 5 7 8 9 10

55% Strategy

25% Executive updates

20% Governance

ESG

Key stakeholders considered

- Annual updates on progress against voluntary frameworks and non-financial regulations, including the EU Corporate Sustainability Reporting Directive (CSRD) and Sage's readiness programme
- Review of Sage's Sustainability and Society strategy, including ESG frameworks, materiality assessment review, stakeholder insights and net zero update
- Sustainability and Society Report and Climate Report overview provided
- Review of climate change risks for Sage and TCFD disclosures
- Sustainability reporting assurance oversight provided

Link to Principal Risks

10

Cyber threat

Key stakeholders considered

- Chief Information Security Officer updates at each Board meeting
- Review progress of cyber security strategy
- Regular updates on incidents and key industry developments
- Insights provided on cyber threat landscape and relevant threats linked to Sage's business and technology strategy
- Detailed progress updates on cyber risk reduction programmes and key initiatives

Link to Principal Risks

1 2 3 4 7 8 9

How the Board monitors culture

The Board uses a variety of tools to monitor culture across the Group and to gain feedback from Sage colleagues. The Board and Executive Leadership Team set the tone from the top to ensure that colleagues live Sage's Values in order to build a working environment where teams consistently drive and deliver extraordinary outcomes.

This high-performance culture focuses on excellence, accountability, and continuous improvement, and is particularly relevant for leaders, with direct links between Sage's leadership principles and more broadly recognised high-performance methods.

The table on the facing page highlights some of the cultural monitoring tools and key metrics that the Board has used during FY24.

Scan the QR code for further insight into the Sage DEI policy

We do the right thing

Human
We make connections with customers, partners and colleagues, through empathy and care.

Bold
We are curious, courageous, ambitious and creative.

Simplify
We strip away complexity.

Trust
We deliver our promises to customers, colleagues, society and shareholders.

Action	How the Board monitors culture
Board effectiveness	The Board reviews its own effectiveness annually to ensure it is working well and to monitor the culture within the Boardroom itself. It sets the correct culture at the top of the organisation and demonstrates and promotes the Sage Values, which are then promoted by leaders throughout the Group.
Compliance updates	Regular compliance-focused updates are presented at Board meetings, including the annual review of Sage's core compliance policies, which allows the Board to understand potential issues and focus its attention as required. The core compliance policies are assessed, as well as the Group's Modern Slavery Act Statement and whistleblowing reports, which together give the Board visibility of the overall compliance culture at Sage.
High-performance culture programme	In FY24, Sage launched a high-performance culture programme which has been designed to drive awareness of the behaviours required to achieve its strategic ambition. Leaders in the Group were brought on this journey, co-delivering 80 "Leading Extraordinary Teams" sessions to over 1,600 people managers, including: a three-hour in-person, intensive workshop on creating a culture of accountability; sessions on managing performance with clear feedback that's honest and actionable; and driving results for Sage to scale and grow. This was reported to the Board which gives the Board comfort that Sage leaders have the tools they need to drive a high performance culture in line with the Sage Values.
Pulse Surveys	Sage's Pulse Survey collects candid feedback from all areas of the organisation, which helps to foster a culture of accountability and honesty. Pulse Surveys give the Board greater insight into colleague experiences across the Group and provide direct feedback on areas that can be improved. In September 2024 there was a strong response rate with 85% of colleagues responding and over 11,000 comments received. As a key part of colleague listening our Pulse Survey continues to provide rich feedback. The eSAT score remained stable at 76.
Board Associate	The Board Associate provides meaningful engagement between the Board and Sage colleagues, allowing the Board to gain insight into Sage's culture. This mechanism to hear the colleague voice in the Boardroom is in line with the expectations of the Code. **Read more about our Board Associate's engagement activities during FY24 on pages 96 and 97.**
Focus on People	The Board receives regular updates on Sage's People strategy, covering matters including succession planning, talent, recruitment, and retention. In FY24, the Board undertook deep dives on matters including Sage Belong (including progress of embedding DEI) and an update on the engagement activities, and work of the Board Associate covering their first 10 months in the role. **Read more about this on pages 24 to 29.**
DEI strategy	The Board receives regular updates on Sage's DEI strategy and the inclusive culture at Sage. Management's DEI Accountability Board plays an important role in shaping an inclusive workforce at Sage and the Board receives updates on progress. In FY24, Sage expanded its DEI self-disclosure programme, "All About Us" through a localised approach to understanding and increasing self-disclosure levels in regions with lower disclosure. This approach, which included a localised and translated five-month engagement exercise, led to our global self-disclosure rate increasing to 64%. As part of the work on global gender diversity in leadership goal, Sage has embedded diverse hiring principles into the talent acquisition process and provide quarterly monitoring to empower functional leaders to proactively address underrepresentation. At the end of FY24, the number of teams now meeting the global gender diversity goal is 41%. **Read more about our DEI initiatives and progress on pages 106 and 107.**
Board engagement sessions	Informal engagement sessions allow the Board to speak with Sage colleagues directly and understand what matters most. The Board is available to answer questions from colleagues during these engagement sessions and when out on site visits. **Read more about the programme of Board engagement sessions in FY24, see pages 50 and 51.**
Colleague conversations	Sage colleagues can interact with the CEO and other senior leaders directly to ask questions during Sage TV Live Q&A sessions. In FY24, Q&A topics included: the Company's strategic evolution and future direction; products, strategy, partnerships, and culture; and AI and Sage Copilot. The CEO Open Circle enables a group of high-potential colleagues across all functions to meet with the CEO prior to a Board meeting. The CEO uses this session to get perspectives on matters that are discussed at Board meetings. The Open Circle provides insight, feedback and ideas to the CEO, who can then feedback to the Board. Membership includes the Board Associate.

Rendezvous with our new Board Associate: Amy Cosgrove, VP People North America and Product

Amy Cosgrove
Board Associate

Our newest Board Associate, Amy Cosgrove, VP People North America and Product, was appointed in January 2024. Since 2017, the role of Board Associate has played a crucial part in bringing the colleague voice into the Boardroom and educating colleagues on the role of the Board at Sage.

Each Board Associate has contributed a unique blend of diverse backgrounds, mindsets, and viewpoints to Board discussions and the decision making process.

To ensure that the role continued to fulfil its purpose, the Board reviewed the scope and responsibilities of the role in September 2023, along with the selection process, tenure and criteria. The Board deliberated on its considerations and supported the evolution of the selection process and extended the tenure of the assignment from 18 to 24 months. The selection process included members of the Executive Leadership Team nominating colleagues from their teams who they believed met the criteria to take on this important role. Nominated colleagues then went through a rigorous four-stage selection process including a video submission and interviews with the Chief People Officer and the General Counsel and Company Secretary. The final round was held with a panel of three Non-executive Directors, including the Board Chair.

The Board commented on the exceptional calibre of candidates, making the decision for the Board a challenging one and noted that Amy Cosgrove stood out with great energy, passion and strong communication skills, together with her deep insight on the colleague experience across Sage's North American and Product teams. Amy joined Sage in March 2020, and her role focuses on People Business Partnership for senior leadership in North America and Product, which provides her with a unique vantage point and brings a powerful colleague perspective to Board discussions.

Q What were your initial thoughts when you were nominated for the Board Associate role and how do you see this role?

Absolutely delighted and excited, although a bit nervous to begin with!

I am based in the US, so I was initially not fully aware of the UK Corporate Governance Code recommendations and the intended purpose of this role. So, when I was nominated, I started reading on the scope and responsibilities and spoke with Derek Taylor and Amy Lawson, who had served in this role previously to provide me with additional insight. Their understanding and observations were invaluable, and I quickly realised that the purpose

Colleague engagement and communication activities with our Board Associate:

March 2024

- Introduction Podcast published on the role of a Board Associate in Sage by Amy Cosgrove, hosted in Newcastle

May 2024

- Colleague 1:1s in London focused on key topics from Pulse Survey results, including the evolving operating model and location strategy

June 2024

- Article published on first six months of Board Associate role, including insights from two Board meetings

of the role is special and unique, and the spirit of the role was much wider than the specific requirements of the Code. It became clear that the role helps the Board understand colleague sentiment at a deeper and more unfiltered level, so it meaningfully contributes to the Board's decision-making process. I feel well placed to help colleagues understand more about the Board, how and why they make certain decisions, and how to help colleagues understand the outlook from the other perspective.

I am honoured to have been selected as the Board Associate. It is a genuine privilege to engage in this unique way with our Board of Directors, and I am working diligently to bring the voice of our colleagues forward and to share back with colleagues what I learn.

Q How effective have you found the induction programme in preparing for the role?

The comprehensive educational induction programme was key in positioning me to be successful in my first Board meetings, which followed within three weeks of my appointment. Being embedded in the business doesn't always allow for deep and regular engagement in other parts of the organisation and the tailored induction allowed me to widen my knowledge and gave me valuable insight into the roles of the senior management teams and their functions. I must also add that my onboarding deck continues to be my playbook, and I frequently access it in preparation for Board meetings.

Furthermore, I regularly engage with Company Secretariat, which allows me to address any matters in advance of Board meetings and collaborate with them as a sounding board on colleague engagement plans.

Q You have been in the role for about ten months, can you share what have been the most pressing opportunities and challenges in your role?

I have really enjoyed the learning process as I am insatiably curious. This platform has given me an opportunity to learn so much more about Sage and our colleagues and has provided me with the chance to bring an informed colleague perspective to the Boardroom.

In terms of challenges, I think it's 'time', because this role is in addition to my everyday job! I have sought to represent a wide range of colleague views during discussions and to help everyone at Sage to better understand the role of the Board. I acknowledge there is more to be done to ensure that I create the deepest impact intended for the role. My objective next year is therefore to continue to manage my time, to drive that collaboration with the Board and our colleagues, and drive the best outcome for Sage and all its stakeholders.

Refer to pages 50 and 51 for information on colleague engagement activities

July 2024

- Interview with Annette Court on her role as a Senior Independent Director
- Colleague roundtable in Barcelona focused on the colleague impact of changes in Iberia

August 2024

- Article published on Barcelona Board meeting and colleague roundtable insights

September 2024

- Fireside chat with Dr John Bates, Non-executive Director, attended by colleagues in Atlanta to discuss the Board's view on progress around Sage Copilot
- Hosted a colleague roundtable (at which Board members were present) to discuss colleague sentiment in NA, including outcomes of the September Pulse Survey

Board evaluation

Board evaluation process

The Board undertakes a formal, annual performance evaluation to provide the Board and its Committees with an opportunity to consider and reflect on the effectiveness of its activities, the quality of its decision-making and the contributions of each Board member. In FY24 the evaluation was carried out internally.

The objective of the evaluation was to provide an assessment of:

- the Board's effectiveness and governance;
- effectiveness of the Board's Committees; and
- effectiveness of individual Directors, including the Chair.

Board	Overall, the results of the FY24 Board evaluation were very positive with no major concerns or issues identified. Feedback and scores reflected a strong and positive culture and an effective and well managed Board. The feedback from the evaluation is being used to help inform and shape the Board agenda and its priorities in FY25 as set out on page 99.
Board Committees	The feedback for the Board Committee review was also very positive, with Committee members agreeing that the Committees were functioning effectively, and their respective Chairs encouraged open and meaningful participation. Key strengths as well as potential improvements were highlighted.
Individual Director assessment	Highlighted that each Director continues to make an effective contribution to the Board and that Non-executive Directors demonstrate their independence with objective challenge and commitment to their role.
Chair assessment	Board members reflected that the Chair continues to devote sufficient time to his role, continuing to lead the Board constructively. It was concluded that he excels in his role and displays all the desired skills and attributes of an experienced, collaborative, inclusive and competent Chair while encouraging a culture of openness and debate.

Board evaluation cycle

The evaluation concluded that the Board, its Committees, the Chair, and the Non-executive Directors continue to operate effectively.

FY22:
Externally facilitated evaluation carried out by Independent Board Evaluation (IBE)

FY23:
Internally facilitated evaluation, using online evaluation tool provided by Independent Audit Limited

FY24:
Internally facilitated evaluation, using online evaluation tool provided by Lintstock Ltd

FY25:
Expected to be an independent externally led evaluation

FY24 Board evaluation

Stage 1

The internal evaluation was led by the Chair and supported by the Company Secretary, using an online evaluation tool provided by a new provider Lintstock, with a view to refreshing the process and user experience. Lintstock is independent of and has no other links with the Company or its Directors.

The Chair and the Company Secretary agreed the broad scope of the evaluation and a tailored Board questionnaire was compiled with regards to the provisions and principles outlined in the Code. Similar topics were retained from previous years, to maintain continuity and monitor progress, alongside any matters of specific importance in FY24. For more information on the FY24 areas of focus, please see page 99.

Stage 2

All Directors completed the tailored online questionnaire addressing key Board matters, including effectiveness; strategic oversight; risk management and mitigation; Board composition and succession planning; Board dynamics and support; culture and advancement of diversity and inclusion; oversight of sustainability disclosures and how effectively members worked together to achieve objectives. In addition, further questionnaires covered each of the Board Committees, the Chair's performance and other Directors' individual performance. The Company Secretary and a selection of regular meeting attendees were also invited to respond.

The respondents rated questions on a sliding scale score and were encouraged to provide additional open feedback in comment boxes to provide further insight.

The responses including open-ended questions were analysed and grouped thematically and listed in order of prominence into detailed reports.

Stage 3

The Chair presented the output from the FY24 evaluation at the September Board meeting and feedback on each Committee was discussed at each Committee meeting. The Chair also met with each Director individually to discuss their performance. The Chair's performance was considered and led by the Senior Independent Director at the September Board meeting without the Chair's participation. Feedback was then shared with him.

The Board considered the key findings from the evaluation process and agreed key areas of focus for FY25. These are set out on page 99.

Observations from FY24 Board evaluation and with focus areas for FY25

FY24 Board evaluation themes	Outcomes	Areas of focus for FY25
Effectiveness	Very engaged, cohesive, collaborative Board with diversity of thoughts	Continue to constructively challenge management to maintain focus on driving long term growth
Strategic oversight	Good oversight on strategy with clarity on financial performance	Continue to focus on execution of the technology strategy, with a particular focus on AI, Sage Network and Sage Copilot Provide clarity on M&A strategy and ambition Continue to monitor competitor landscape and Sage's performance as against the competition
Risk management and mitigation	Appropriate delegation to the Audit & Risk Committee, with considerable focus on cyber, data protection and business ethics noted	Maintain awareness of emerging risks, opportunities, and trends specific to Sage and the industry, and continue monitoring of successful delivery of strategy to execution
Composition and Succession planning	The Board and its Committee have appropriate diversity, experience, knowledge and skills	Continued focus on succession plans for the Board[1], and capability development for key senior management positions. Continue to monitor how diversity is being built into talent pipelines
Oversight of culture	High engagement with colleagues and appropriate level of oversight identified. Board Associate arrangement to obtain colleague views noted to be working well	Ensure culture remains a focus on Board agendas (meetings and engagement)
Board dynamics and support	Information is received at the right time to allow the Board to effectively carry out its responsibilities leading to effective decision making	Ensure Board paper length does justice to more complex topics Continue to invite external speakers, to build knowledge on strategic discussions and give a fresh perspective for continuous education for the Board

1. Following Sangeeta Anand's decision to stand down from the Board at the 2025 AGM to focus on her other board and US business commitments, a process is underway to appoint a new Non-Executive Director.

Progress against the areas identified for focus following the FY23 internal evaluation are shared below:

FY24 areas of focus	Actions implemented in FY24
Succession planning will continue to be an area of priority for the Board, with focus on exposure to the talent pipeline for the Non-executive Directors	The Board, through its delegation to the Nomination Committee, has spent time in FY24 focusing on Committee appointments. Senior Independent Director succession discussions were held before Annette Court took up the role on 1 January 2024 Executive Leadership Team succession planning activities were discussed extensively through out the year at Nomination Committee meetings
Continue to focus on how a high performance, high productivity culture is being fostered within Sage	Directors provided with opportunities during FY24 to engage with colleagues in less formal discussions. This was also supplemented with updates on progress and initiatives to drive high-performance culture through the organisation at the February and July Board meetings
Continue to focus on execution of the Sage Network strategy	The Board was updated on the execution of the Sage Network strategy at the Board Strategy Day and through FY24
Keep focus on management of risks around data ethics and data usage within the AI space	The Audit and Risk Committee was briefed on the scope and progress made by the newly constituted Sustainability, AI and Data Ethics Committee
Keep visibility of emerging risks, opportunities, and trends specific to Sage and the industry, developments and potential disrupters to Sage's business	A targeted paper was presented and discussed at the February Board to discuss the risk environment, Sage's preparedness and the challenges and the opportunities it presented An external speaker was invited to July Board dinner, to discuss and further contextualise the broader geo-political risks and their potential consequences for Sage
Maintain focus on the competitor landscape and understanding of Sage's performance against its competitors	The Strategy Day included a focus on the competitor landscape and market share. The Board was provided with more tailored regional updates on these topics at the July and September Board meetings
Enhance understanding of customer experience, sentiment and insight	Customer satisfaction and engagement metrics are shared at every Board meeting
Continue to monitor return on investment of acquisitions	12 and 24 month performance and integration review of material acquisitions are now included as a standing agenda item
Maintain a commitment to ongoing learning and development opportunities as a Board	Market sentiment updates from Sage's brokers were provided to the Board during the year

Nomination Committee

Allocation of time

The Committee has maintained an optimal combination of skills, experience, knowledge and diversity to facilitate effective governance and decision making.

Andy Duff
Chair of the Nomination Committee

Committee purpose and responsibilities

The Nomination Committee (the "Committee") is responsible for leading the process for Board appointments by keeping under review the structure, size, and composition of the Board, and ensuring that the Board and its Committees have the optimum balance of diversity, skills, knowledge, and experience.

Other key responsibilities of the Committee include:

- ensuring formal, rigorous, and transparent procedures are in place for Board appointments and that effective, orderly succession planning is maintained by advising the Board on the identification, assessment, and selection of candidates
- driving the diversity, equity, and inclusion agenda while ensuring that all appointments are made on merit against objective criteria
- reviewing the time commitment of the Directors to ensure they have sufficient time to meet their Board responsibilities
- assisting with delivery of a comprehensive induction programme for new Non-executive Directors and ensuring oversight of ongoing education needs
- ensuring a high-quality Executive Leadership Team and senior management are in place, supported by credible succession plans, to support the needs of the business and deliver to all our stakeholders
- leading the annual Board evaluation process and ensuring that resulting areas for development are addressed effectively

Other Nomination Committee members

Dr John Bates

Annette Court

Jonathan Bewes[1]

1. With effect from 1 May 2024.

Dear shareholders,

I am pleased to introduce the report of the Nomination Committee, which sets out the role of the Committee and the important work it has undertaken during the year.

The Nomination Committee supported the Board with monitoring the composition of the Board and its Committees, to ensure that Sage remains prepared for an orderly succession of the Board and its Committees, while maintaining an optimum combination of skills, experience, knowledge and diversity to enable effective governance and decision making.

As previously communicated to shareholders, Drummond Hall stepped down from the Board on 31 December 2023 and, following a thorough internal process, Annette Court was appointed as Senior Independent Director with effect from 1 January 2024. As a result of Annette's appointment, the Company is pleased to report that it now meets the target set by the FTSE Women Leaders Review and the UK Listing Rules to have at least one of the senior board positions (Chair, CEO, CFO, or Senior Independent Director) held by a woman.

The UK Listing Rules also require listed companies to disclose annually their position against the target of 40% women on listed company boards. The Company also achieved this target following Drummond Hall's retirement in December 2023. As at the end of FY24 and as at the date of this report, the Board comprised 40% women.

FY24 also saw changes in the composition of our Board committees. I was pleased to welcome Jonathan Bewes as a member of the Nomination Committee from 1 May 2024 and Roisin Donnelly succeeded Annette Court as Chair of the Remuneration Committee on that same date. On behalf of the Board, I would like to convey my sincere thanks to Annette for her strong leadership and impactful contributions during her tenure as Chair of the Remuneration Committee.

Sangeeta Anand has advised the Board that she will not stand for re-election at the next Annual General Meeting on 6 February 2025 in order to fully focus her time on her other board and US business commitments. The Board is grateful to Sangeeta for her valuable contribution, knowledge and industry expertise since her appointment. The Nomination Committee has initiated a process to appoint a new Non-executive Director and we will keep our shareholders updated with progress with this appointment as appropriate.

The Committee and the Board are cognisant of the FTSE Women Leaders Review and the UK Listing Rules targets for gender diversity at Board level and will minimise any temporary period when the Board's gender diversity may fall short of the target to have at least 40% women on the Board. In seeking to appoint a new Director, the Board will always follow a rigorous and transparent process, suited to the Company's strategic priorities.

The Committee also dedicated considerable time during the year to succession planning activities for our Executive Leadership Team, keeping under review the leadership needs of the business and to ensure that we continue to invest and develop our diverse pool of high-potential internal talent.

The Committee's focus on diversity, equity and inclusion remained unchanged during the year, both at Board level and with regard to monitoring progress across the Group. In addition to its support of the FTSE Women Leaders Review, the Board is supportive of the ambition shown in reviews on ethnic diversity, including the Parker Review, and I am pleased to confirm that the Board has met throughout FY24 the target under both the UK Listing Rules and the Parker Review to have at least one Board member from an ethnic minority background.

The Board has considered the extension of the scope of the Parker Review to encompass senior management teams operating in the UK in disclosures on ethnic diversity, which we fully support. Please see report on progress towards our Group-wide DEI target on page 107.

Further information on the diversity of the Board and Executive Leadership Team can be found on pages 104 and 105.

In accordance with the 2018 Code, the Committee actively reviews the time commitments of the Board to ensure all Directors have sufficient time to meet their Board responsibilities. Further information is on page 102.

Following an internally facilitated effectiveness review this year, I am pleased to report that the process demonstrated that this Committee continues to operate effectively across its responsibilities. Further information on the outcome of the evaluation conducted in FY24 can be found on pages 98 and 99. The Board has committed to undertaking an externally facilitated effectiveness review during FY25.

I would like to thank the members of the Committee for their open discussion, insight and challenge this year. Their ongoing commitment and contribution to our work enables the Committee to fulfil its responsibilities successfully.

Andrew Duff
Nomination Committee Chair

The Committee held three scheduled meetings during the year, in line with its Terms of Reference. The Committee Terms of Reference can be found www.sage.com/en-gb/company/about-sage/leadership/board-committees/ and are reviewed annually to ensure they remain fit for purpose. The agenda for each Committee meeting is based on a standing agenda for the financial year but tailored and updated throughout as appropriate.

Details of individual attendance at scheduled meetings are set out on page 86. Details of the skills and experience of the Committee members can be found in their biographies on pages 78 to 79.

Board and Board Committee composition

The process for making new appointments to the Board is usually led by the Chair, except when the Committee is dealing with the Board Chair succession. The Committee has procedures for appointing new Non-executive and Executive Directors, which are clearly set out in its Terms of Reference. When considering new appointments, all recommendations to the Board are made on merit against objective criteria which take into account experience, skills, and ensuring an appropriate diversity, in the broadest sense, in the resulting membership of the Board. Time commitment, independence, and potential conflicts of interest are also considered before any recommendation is made to the Board.

Further information on the assessment of independence of Non-executive Directors can be found on page 85

On review of the composition of the Board during the year, the Nomination Committee concluded that the Board had an optimum membership, taking into account experience, skills, and ensuring an appropriate diversity, in the broadest sense. Annette Court, who succeeded Drummond Hall on 1 January 2024 as Senior Independent Director, has brought her knowledge and experience to the role during the year.

Board Committee membership is also reviewed periodically to maintain an optimum combination of skills, experience, knowledge, and diversity to enable effective governance and decision making. In February 2024, the Committee led a review of the membership of the Board's Committees, which informed the appointment recommendations to the Board in relation to the Nomination Committee and Remuneration Committee membership.

Roisin Donnelly was appointed as Chair of the Remuneration Committee with effect from 1 May 2024, succeeding Annette Court, bringing to the role her wide experience on remuneration committees, including her experience and insight gained from being a member of the Sage Remuneration Committee since March 2023, and a fresh leadership perspective on remuneration matters. Annette Court maintains her current Committee membership roles, serving on the Nomination, Remuneration, and Audit and Risk Committees. Jonathan Bewes was appointed as a member of the Nomination Committee with effect from 1 May 2024, to assist in its work of maintaining and deepening Board capabilities and, in turn, succession planning activities with his deep knowledge and experience of the Sage business.

As announced by the Company in October 2024, Sangeeta Anand will be stepping down from the Board at the conclusion of the AGM on 6 February 2025. The Nomination Committee has initiated a process to appoint a new Non-executive Director and will update our shareholders on its progress with this appointment as appropriate in due course.

External directorships and time commitments

The Committee keeps under review the number of external directorships held by each Director. Any proposed new external appointments or other significant commitments of the Directors require the prior approval of the Board.

In May 2024, the Committee conducted a thorough review of other significant commitments held by Directors at that time, taking into account the Company's own policies and investors' published voting policies on the number of board mandates considered appropriate for directors. The Committee concluded, having assessed criteria such as time commitments, meeting attendance, and other directorships, that all Directors continued to be effective in and demonstrate commitment to their respective roles, devote sufficient time to their duties, and make a valuable contribution to Board discussions.

During the year, the Committee reviewed the proposed appointment of Jonathan Bewes as an independent Non-executive Director and Chair Designate of MONY Group plc with effect from 1 July 2024, with the expectation of his taking up the Chair role on 1 January 2025. The Committee concluded it was satisfied that Jonathan Bewes would continue to be able to devote sufficient time to his duties on Sage's Board following this appointment, and, without Jonathan Bewes present, recommended the appointment be approved by the Board.

The Committee further reviewed the proposed appointment of Sangeeta Anand as an independent director on the board of Tata Communications Limited. The Committee was satisfied that she would be able to continue to fulfil her responsibilities appropriately on the Sage Board, and recommended the Board approve the proposed new appointment.

Succession planning for the Executive Leadership Team and senior management

To ensure effective succession planning for the Executive Leadership Team and senior management, the Committee maintains visibility on a diverse group of colleagues identified as potential successors, and on how Sage attracts and retains skilled individuals, and develops high-potential talent, while ensuring its continued ability to compete effectively in the marketplace. During the year, the Committee reviewed specific Executive Leadership Team members and their roles to proactively identify and progress succession plans.

Both the Board and Committee are dedicated to providing high-potential colleagues with opportunities to present at Board meetings and participate in initiatives beyond the Boardroom.

In FY24, Executive Leadership Team members and senior management presented to the Board and its Committees on topics including Sage's strategic priorities, risk management, product demos, financials, investor relations, cyber security, and sustainability matters.

High-potential colleagues are also invited to participate in initiatives outside the Boardroom, offering exposure to and interaction with Board and Committee members in a variety of settings. For colleagues, opportunities such as Board engagement events and Non-executive Director mentoring provide learning and development experiences. For Board members and, in particular, Committee members, these events inform succession planning and assist in identification of development needs within the internal talent pool, resulting in well-informed discussions in Committee meetings.

Opportunities for interaction with wider colleagues and senior management remain an area of focus for the Board and will continue to be pursued in FY25.

Further information on the diversity of the Executive Leadership Team and their direct reports can be found on page 104 and 105

Committee effectiveness and evaluation

The Board is committed to maintaining the highest standards and conducts a formal and rigorous evaluation of its performance, including the performance of its Committees, individual Directors, and the Chair annually.

In accordance with the provisions of the Code, the Board also conducts an externally facilitated evaluation at least once every three years. In FY24 the evaluation was internally facilitated. The outcomes of the evaluation of the Committee were presented and considered in September 2024. The overall conclusion from this year's evaluation was that the Committee continues to work effectively and is operating appropriately in line with its Terms of Reference.

Further information on the evaluation of the Board, the Committees and individual Directors, as well as full details on the internal evaluation process, outcomes, and next steps are available on pages 98 and 99

Diversity, equity and inclusion

Following adoption of the Board DEI Policy ("the Policy") in FY21, the Board annually reviews this policy to ensure it remains fit for purpose and reflects best practice. The Board DEI Policy applies to the Board and its Committees. The Policy acknowledges the importance of diversity in its broadest sense, as a key element of Board effectiveness, and that, while all appointments are based on merit and objective criteria, the Board is fully committed to meeting the targets as set out by the FTSE Women Leaders Review, the Parker Review and the UK Listing Rules, as well as our own internal Global Gender Diversity Target.

The Board DEI Policy sits alongside Sage's Group-wide policy, Code of Conduct, and associated global policies, which set out our broader commitment to DEI. The purpose of the Board DEI Policy is to set out the approach to DEI for the Board and for its Committees, with the intention of supporting the succession planning work of the Committee in creating and maintaining the appropriate Board and Committee composition, and to drive the tone from the top to create a truly diverse and inclusive business where differences are respected, and everyone's contributions are valued.

The Board and senior management believe diversity is key to providing the right blend of perspectives and insights required to meet our purpose and strategy.

In FY24, the Committee and Board conducted an annual review of the Board DEI Policy and concluded that the Policy was broadly aligned to and reflected the wider Sage culture, group-wide DEI policy and values. The Policy evolved further to include Sage's target that, by December 2027, 20% of the Executive Leadership Team plus their direct reports will be people who self-identify as being from a historically underrepresented race or ethnic group. The updated Policy also acknowledges that our Values are a key element in our wider DEI commitment, and outlines additional expectations of executive search firms in relation to understanding our Values and DEI commitments, ensuring that all parties involved in the recruitment process take a unified approach.

The Board and the Committee will continue to monitor progress against the Board DEI Policy to provide meaningful disclosure in the Annual Report and Accounts on the Policy's implementation and progress in meeting its objectives.

The Board DEI Policy is available on our website at www.sage.com

Directors' key skills and experience

A Board skills review was conducted during FY24 to highlight any gaps and to identify key skills and experience valuable to the effective oversight of the Company and the execution of its strategy. Overall, the Committee felt that there were no significant areas of concern or exposure in any category and concluded that the current structure, size and composition of the Board and its Committees remained appropriate and that it had the correct range of skills, experience, independence and knowledge to enable it to effectively discharge its duties and responsibilities.

Directors' key skills and experience	Andrew Duff	Sangeeta Anand	Dr John Bates	Jonathan Bewes	Maggie Chan Jones	Annette Court	Roisin Donnelly	Drummond Hall[1]	Derek Harding	Steve Hare	Jonathan Howell
Executive and strategic leadership	●	●	●	●	●	●	●	●	●	●	●
Financial acumen	●	●	●	●		●		●	●	●	●
Technology and innovation	●	●	●		●	●			●	●	●
Remuneration and people	●		●	●		●	●	●		●	●
Audit and risk		●		●		●		●	●	●	●
Sustainability and environment	●				●		●	●		●	●
Strategy and M&A	●		●	●	●	●	●	●	●	●	●
Customer-centricity	●	●	●	●	●	●	●	●	●	●	●
International experience	●	●	●	●	●	●	●	●	●	●	●

1. Drummond Hall retired on 31 December 2023.

Re-election of Directors

On the recommendation of the Board, acting on the advice of the Committee, all Directors who wish to continue to serve will retire at the next Annual General Meeting on 6 February 2025 and submit themselves for re-election. Having assessed numerous criteria such as independence, time commitments and other directorships, meeting attendance, skills, knowledge and experience and Board diversity, the Committee and the Board are satisfied that the Directors continue to be effective in and demonstrate commitment to their respective roles. The Committee is satisfied that the Directors dedicate sufficient time to their duties, demonstrate enthusiasm in their roles, and make a significant and valuable contribution to the Company's leadership.

As announced in October 2024, Sangeeta Anand has decided to retire from Sage's Board to focus on her other board and US business commitments, and so is not seeking re-election at the 2025 AGM.

Board composition*

Gender

Female **4** Male **6**

Ethnicity

White **8** Asian **2**

Nationality

British **8** American **2**

Age

40 to 49 **1** 50 to 59 **3** 60 to 69 **6**

Length of tenure

Less than a year **0** 3 to 6 years **6** 1 to 3 years **2** Over 6 years **2**

* The Board composition data reflects the information as at 30 September 2024.

UK Listing Rules—Board and executive management diversity reporting

The Committee recognises the requirements under the UK Listing Rules to disclose data in a prescribed format about the gender identity or sex, and the ethnic background of members of the Board and executive management.

Approach to data collection

The data used for the purpose of our disclosure against Board diversity targets, as set out on this page, was collected as part of the annual declaration process, whereby the Board and the Executive Leadership Team confirmed the details through the internal DEI dashboard or through self-declaration. The data is used for statistical reporting purposes and is provided with consent. The data in the tables below is as at our chosen reference date of 30 September 2024. Further information on gender balance of those in senior management and their direct reports can be found on page 29.

Board and executive management gender

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management[1]	Percentage of executive management[1]
Men	6	60%	3	6	60%
Women	4	40%	1	4	40%
Not specified / prefer not to say	–	–	–	–	–

Board and executive management ethnicity

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management[1]	Percentage of executive management[1]
White British or other White (including minority White groups)	8	80%	4	9	90%
Mixed/Multiple ethnic groups	–	–	–	–	–
Asian/Asian British	2	20%	–	–	–
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic group, including Arab	–	–	–	1	10%
Not specified/prefer not to say	–	–	–	–	–

1. As per the UK Listing Rules, executive management within Sage includes the Executive Leadership Team, including the Company Secretary.
2. The data for the executive management is expected to change on 31 December 2024, when Cath Keers steps down.
3. The data for the Board is expected to change on 6 February 2025, when Sangeeta Anand steps down. However, as noted on page 101, the Committee has initiated a process to appoint a new Non-executive Director and further updates will be provided at the appropriate time.

Board policy

Board DEI Policy objectives	Implementation and progress against objectives
All appointments to the Board should be made on merit against objective criteria which take into account experience, skills, and the need to ensure an appropriately diverse balance in the resulting membership of the Board	The Board and the Committee are committed to ensuring the composition of the Board exhibits a diverse mix of skills, personal attributes, professional and industry backgrounds, geographical experience and expertise, independence of thought, gender, age, tenure, race, ethnicity and broader aspects of diversity which may include, for instance, disability, sexual orientation and socio-economic background.
Consider candidates for appointment to the Board from as diverse a pool of applicants as possible, ensuring that the recruitment and selection process has been reviewed to mitigate bias	The Board and the Committee seek a wide and diverse list of candidates for Board appointments, including in terms of gender, race, sexual orientation, disability, socio-economic background, ethnic background, experience (including those with no previous public listed company non-executive experience), geographical experience, personal attributes, knowledge, skills, and independence of thought, always with the aim of securing the very best candidate for the position.
Continue to meet (or where appropriate in respect of future targets, work towards meeting) the targets of the Parker and FTSE Women Leaders Reviews and the FCA's UK Listing Rules, as well as our internal Global Gender Diversity target, as far as possible, recognising that there may be temporary periods when this is not possible; such periods should be minimised	The Board and the Committee are cognisant of the recommendation of the Parker Review to have at least one Board member from an ethnic minority background by 2024 and are satisfied that the Board continues to meet this recommendation. The Sage Board meets the target set by the UK Listing Rules and by the FTSE Women Leaders Review to have one of the senior Board positions (Chair, CEO, CFO or SID) held by a woman, following Annette Court's appointment as Senior Independent Director. At least 40% of the Board identify as female, meeting the target for Board gender balance set by the UK Listing Rules. Sage's performance against this target may be impacted when Sangeeta Anand stands down from the Board on 6 February 2025. However, as noted on page 101, a process is underway to appoint a new Non-executive Director and further updates will be provided at the appropriate time.
Engage executive search firms who understand Sage's Values and approach to diversity, equity and inclusion, have signed up to the Voluntary Code of Conduct on both gender and ethnic diversity and best practice, and utilise an open recruitment process for non-executive roles	Although there were no Board appointments in FY24, the Board has engaged with the Lygon Group, in advance of Sangeeta Anand stepping down from the Board in February 2025. The Lygon Group has no other connection with the Company or with individual Directors other than to provide recruitment services. It has signed up to the Voluntary Code of Conduct on both gender and ethnic diversity and best practice and utilises an open recruitment process for non-executive roles.
Ensure advertisements, role descriptions and long lists, reflect the Board's diversity commitments in respect of gender, race, ethnicity, personal attributes and the wider aspects of diversity, as set out in this policy	All role briefs are maintained to reflect the Board's policy of considering a diverse pool of candidates with different backgrounds.

Group-wide DEI Initiatives

The Board receives updates from members of the Executive Leadership Team and senior management on Group-wide DEI initiatives and monitors progress against DEI objectives. The following table outlines key progress in FY24:

Group-wide Initiative	Progress in FY24
All About Us colleague participation This initiative encourages colleagues to voluntarily share insights about themselves. Sage is committed to a workforce that fully represents the many different cultures, backgrounds and viewpoints of its customers, partners and communities. When the personal insights are combined, colleagues' contributions will provide an accurate view of Sage's colleague population and help sharpen the Company's focus to remove inequities.	Participation in the year grew to 64% (2023: 55%). The global participation target for the end of FY24 was 65%. In FY24, we expanded the All About Us programme through a localised approach to understanding and increasing self-disclosure levels in regions with lower disclosure, including Portugal and Spain and our Global Customer Services function. This approach contributed to our global self-disclosure rate increasing to 64%.
Colleague Success Network participation This initiative aims to create an inclusive and welcoming culture through well-supported colleague communities. All of Sage's Colleague Success Networks have the same overarching goal, aiming to support the Company's inclusive culture. The Networks support the Company's DEI journey through amplifying the voices of underrepresented communities, providing a platform for sharing experiences and identifying shared challenges, which are fed back to the DEI team to resolve.	Participation in the year grew to 22% (2023: 18%). The global participation target for the end of FY24 was 20%. Throughout the year, we continued to support our volunteer-led Colleague Success Networks through the introduction of a global onboarding pathway for new Co-Leads, updated governance to provide consistent support and provision of networking opportunities and resources. We increased network membership globally from 20% to 22%, and launched two new networks; the Inclusion Network in South Africa and the Veterans Network in the UK.
Sage Group's Global Gender Diversity target This is intended to drive gender diversity at all levels of the organisation by meeting a target of no more than 60% of any one gender in any leadership team, anywhere at Sage, by the end of FY26.	41% of leadership teams currently meet this target (2023: 34%). The Company acknowledges that there is further work required to continue increasing the percentage of leadership teams meeting this ambitious target each year and to achieve the overall target by the end of FY26. In FY25, it is intended that targeted work continues with individual teams to understand their representation data, skills challenges, hiring opportunities, progression opportunities, succession pipelines, engagement, onboarding and offboarding. This approach should develop best practice that can be implemented globally to continue progressing towards achieving the goal.
Anti-discrimination, bullying and harassment	In FY24, we established a standalone global Anti-discrimination, Bullying and Harassment policy, in addition to our DEI policy. This policy outlines our zero-tolerance approach and provides guidance on grievance and remediation procedures, as overseen by our People Business Partnering team and Employee Relations team. All cases are recorded within our people system and reviewed at least quarterly.

Audit and Risk Committee

Allocation of time

- Financial reporting **30%**
- Risk management and internal control **19%**
- Internal audit **23%**
- External audit **10%**
- Incident management and whistleblowing **6%**
- Other matters **12%**

> **The Committee remains focused on its role in governing Sage's risk management internal controls, external reporting and audit. We continue to proactively enhance our controls environment and governance, ensuring we are well-prepared for future regulatory requirements.**

Jonathan Bewes
Chair of the Audit and Risk Committee

Dear shareholder,
I am pleased to present the Annual Report of the Audit and Risk Committee ("the Committee") for FY24. This report explains the Committee's responsibilities and shows how it has delivered on these during the year, whilst also considering and responding to how the business has evolved. In executing its responsibilities, the Committee closely monitors how both internal and external factors may impact the Group's performance, risks and controls, as well as considering any resultant impact on financial reporting.

During the year, the Committee has interacted closely with management and the external auditors to receive updates on standing matters. In addition, the Committee has received specific updates on evolving matters, including the updated UK Corporate Governance Code, ESG reporting and compliance, data privacy and business resilience, all of which continue to be areas of focus moving forwards.

Ernst and Young LLP (EY) have completed their final audit as the Group's external auditor in FY24 and the Committee thanks them for their rigour, robust challenge and insight over the years. We look forward to engaging with our new external auditor, KPMG LLP (KPMG), subject to their appointment at the upcoming annual general meeting.

Other Nomination Committee members

Sangeeta Anand

Annette Court

Derek Harding

Activities and evaluation

During the year, the Committee oversaw the Group's financial and ESG reporting, risk management and internal control procedures and the work of Sage Assurance (internal audit) and the external auditors.

The Committee also received updates during the year on how the Group is preparing for the UK's Audit and Corporate Governance Reform, having noted the revised UK Corporate Governance Code which was issued in January 2024.

During the year, the Committee's performance was reviewed as part of an internal board evaluation process, which included consideration of the effectiveness of the Chair of the Committee. The internal evaluation, shared with both the Chair of the Board and the Chair of the Committee, supported the performance and effectiveness of the Committee.

The Committee operated during the year in accordance with the principles of the Financial Reporting Council's ("FRC") UK Corporate Governance Code 2018 (the "Code") and the associated recommendations set out in the FRC's Guidance on Audit Committees.

Role of the Committee

The Committee is an essential part of Sage's overall governance framework. The Board has delegated to the Committee the responsibility to oversee and assess the integrity of the Group's financial reporting, internal controls and risk management (including risk appetite, tolerance and strategy), whistleblowing, anti-bribery and fraud, as well as the work of Sage Assurance (internal audit) and the external auditor. With respect to ESG, the Committee is responsible for monitoring the integrity, accuracy and consistency of both ESG and sustainability-related non-financial disclosures.

These responsibilities are defined in the Committee's Terms of Reference, which were reviewed and approved by the Committee and the Board in May 2024.

Composition

The Code requires that at least one member of the Committee has recent and relevant financial experience. The Disclosure Guidance and Transparency Rules (DTRs) require that at least one member has competence in accounting and/or auditing. The Board is satisfied that these requirements are met, with Jonathan Bewes being a qualified chartered accountant and experienced Audit Committee Chair following 25 years in financial services as a corporate finance advisor in the investment banking sector. Derek Harding is also considered to meet these requirements as a chartered accountant who previously served as Chief Financial Officer at Spectris plc and remains on the Board as an Executive Director of the Group.

Further, the Board considers that the Committee has the necessary competence and broad experience relevant to the sector in which Sage operates as required by the Code. Annette Court is a former Chief Executive Officer with extensive experience of leading complex, customer-focused businesses and Sangeeta Anand is a senior software technology leader with an extensive understanding and knowledge of transforming product portfolios.

Drummond Hall stepped down from the Committee due to his retirement from the Board on 31 December 2023.

There have been no other changes in the composition of the Committee during the year.

Activities during the year

The Committee held four scheduled meetings during the year in line with its Terms of Reference. Details of individual attendance at scheduled meetings are set out on page 86.

Regular attendees by invitation include the Chair of the Board, the Chief Executive Officer, the Chief Financial Officer, the General Counsel and Company Secretary, the EVP Group Financial Controller, the EVP Chief Risk Officer and the VP Assurance. All Committee meetings are attended by the external auditor, EY. By invitation, other members of management are invited to present.

The Chair of the Committee reported to the Board on key matters arising after each Committee meeting. At certain meetings, the Committee met with the external auditor and the VP Assurance, without management being present.

Outside these formal Committee meetings, the Chair of the Committee met with the Committee's regular attendees by invitation, as well as the external auditor.

During the year, the Committee received, considered and, where appropriate, challenged:

- Scheduled finance updates on business performance and significant reporting and accounting matters, including going concern, from the EVP Group Financial Controller;
- The Group's half-year results and Annual Report and Accounts, as well as the accompanying press release, ahead of their review by the Board;
- A detailed summary of the Group's tax strategy, which was presented by the EVP Group Financial Controller, and subsequently approved by the Committee;

- Scheduled risk updates, including risk dashboards outlining both principal and any escalated risks. The Committee also received summary reports and supplementary briefings from management on selected Principal Risks and other ‘in-focus’ reviews, in addition to a general update on business resilience matters;
- The assessment of Group and principal risk appetites with consideration of emerging risks;
- Summary reports of escalated incidents and instances of whistleblowing and fraud, together with status of investigations and, where appropriate, management actions to remediate issues identified;
- The internal audit plan and subsequently progress against the plan and results of internal audit activities, including Sage Assurance reports on internal control and the implementation of remedial management actions, to address issues identified and make internal control improvements;
- The external audit plan and subsequently updates on delivery of the external audit and reports from the external auditor on the Group’s financial reporting and observations on the internal financial control environment in the course of their work. In addition, the Committee received updates on the transition planning following the proposed appointment of KPMG as the external auditor;
- Updates on the legal and regulatory frameworks relevant to the Committee’s areas of responsibility, including an update on Data Privacy matters from the General Counsel and Company Secretary;
- A joint update from the EVP Group Financial Controller and the EVP Chief Risk Officer with respect to the Group’s viability statement, including detail behind the risk scenarios identified and the quantification of their potential impact;
- Updates from the EVP Sustainability and Foundation on non-financial disclosures, including ESG metrics and reporting along with EU Corporate Sustainability Reporting Directive (CSRD), as well as other ESG compliance and related reporting matters.

Audit and Corporate Governance Reform

During the year, the Committee received updates from the EVP Group Financial Controller and EVP Chief Risk Officer with respect to the Group’s preparedness for Audit and Corporate Governance Reform. As part of this, detailed updates were provided with respect to the refresh of the Group’s internal control framework and operational resilience.

The Committee noted that the revised UK Corporate Governance Code was issued in January 2024, effective from 2025 onwards, and that the programmes around internal control put the Group in a good position to meet the new recommendations of the Code.

Financial reporting, including significant reporting and accounting matters

The agenda for every Committee meeting includes a formal finance update from the EVP Group Financial Controller. This informs the Committee about developments in the Group’s reporting and accounting environment, and compliance with relevant reporting standards. During the year, the Committee considered how these developments were addressed in preparing the Group’s financial statements, ensuring that applicable requirements were appropriately reflected. The Committee assessed the overall quality of financial reporting through review and discussion of the significant accounting matters and the interim and annual financial statements.

The Committee’s review included assessing the appropriateness of the Group’s accounting policies and practices, confirming their compliance with financial reporting standards and relevant statutory requirements, and reviewing the adequacy of disclosures in the financial statements. In performing its review of the Group’s financial reporting, the Committee considered and challenged the work, judgements and conclusions of management. The Committee also received reports from the external auditor setting out its view on the accounting treatments included in the financial statements.

Significant reporting and accounting matters

During the year, the Committee considered a number of significant reporting and accounting matters which impacted the Group's financial statements. The Committee's response and challenge over these matters is set out below:

Significant reporting and accounting matters	Response and challenge	Cross reference
Revenue recognition Revenue recognition continues to be an important area of focus for the Group. The Group has a detailed revenue recognition policy for each category of revenue. This includes the application of rules relating to the various ways in which the Group sells its products. With over a third of the Group's revenue generated through sales to partners rather than end-users, the key judgement in revenue recognition is determining whether a business partner is a customer of the Group. Considering the nature of Sage's subscription products and support services, this judgment is usually based on whether the business partner has responsibility for payment, has discretion to set prices, and takes on the risks and rewards of the product from Sage. Inherently, this assessment can be judgemental.	• The Committee continues to oversee management's application of revenue recognition policies and during the year has continued to monitor compliance with financial reporting and accounting controls linked to revenue recognition. During the year there have been no changes to the Group's revenue recognition policies. • The Committee has considered the Group's revenue recognition policies with respect to emerging business models, including revenue earned from services provided over the Sage Network, particularly those which are commercialised on a consumption basis. • As part of the preparation for the interim and annual financial statements, the Committee obtained reports from both management and EY which set out the application of accounting and reporting treatment against the revenue recognition policy. • EY provided an update to the Committee on the nature, extent and findings from its procedures over revenue recognition during the year.	See note 3.1 in the financial statements on pages 192 to 194.
Carrying value of goodwill Given the Group's goodwill balance of £2,130m and the continuing evolution of Sage's business model, the annual assessment of the recoverability of goodwill is a significant area of focus for the Committee. During the year, the Group acquired Infineo SAS for a purchase price of £34m. The goodwill recognised for this acquisition is provisional and will be finalised when the purchase price accounting is completed in FY25.	• The Committee reviewed and considered the methodology applied and challenged the key inputs into the impairment model including areas of estimation and judgement such as forecast cash flows and discount rates, with consideration to their appropriateness given the evolving macroeconomic environment. • Where appropriate, the Committee acknowledged the use of external specialists to support and corroborate management's inputs. • The Committee further enquired as to whether any other reasonable changes in assumptions would result in a material impairment and therefore require sensitivity disclosure in the financial statements. The Committee considered management's sensitivity testing and agreed that the possibility of such reasonable changes is remote and therefore agree with the disclosures provided. • The Committee considered the level at which goodwill is tested and concluded a consistent approach to the prior year is appropriate.	See note 6.1 in the financial statements on pages 206 to 208.

Significant reporting and accounting matters	Response and challenge	Cross reference
Going concern and viability assessment Both the going concern and viability assessment are key areas of focus for the Committee due to the level of management judgement required. In preparing these assessments, consideration was given to the macro-economic environment. The Committee received a detailed update from management during the year which included both reverse and scenario- specific stress testing.	• The Committee reviewed management's process for assessing the Group's longer-term viability, including the determination of the period over which viability should be assessed, the appropriateness of the viability scenarios identified in light of the Group's Principal Risks and uncertainties and the reasonableness of key assumptions used by management in calculating the financial impact of a viability scenario arising. • With consideration to the macroeconomic environment, the Committee reviewed the key assumptions underpinning management's longer-term forecasting, and the sufficiency and adequacy of future funding requirements. As part of this review, the Committee considered the level of available liquidity over the forecast period. • The Committee reviewed the results of management's scenario-specific stress testing for both going concern and viability, as well as reverse stress testing, the result of which demonstrated the resilience of the Group's business model. • It was noted that under scenario-specific stress testing, the Group maintains sufficient available liquidity over the forecast period. The results of reverse stress testing highlighted that such a scenario would only arise following a highly significant deterioration in performance, well in excess of the assumptions in the scenario-specific stress testing. • As part of its review and challenge, the Committee took into consideration updates provided by the EVP Chief Risk Officer with respect to the Group's principal and emerging risks. • The Committee approved the disclosures in relation to both the going concern and viability assessment and recommended to the Board the preparation of the financial statements under the going concern basis.	The Group's going concern and viability statements can be found on pages 73, 74 and 156, respectively.
Alternative Performance Measures (APMs) The Committee closely monitors management's interpretation and definition of APMs, in particular Annualised Recurring Revenue (ARR). In addition, the Committee considers the presentation of APMs in the Group's Annual Report and Accounts in the context of the requirement that they be fair, balanced and understandable.	• The Committee continues to review and challenge management's use of APMs and, as part of the preparation for the interim and annual financial statements, requests a clear reconciliation between key APMs and statutory reporting measures. • There is a continued focus by the Committee on the ARR APM given its importance as a key measure of business performance. At each Committee meeting, an update on ARR performance is provided. • The Committee has challenged the sufficiency, adequacy and clarity of disclosures related to APMs in the Annual Report and Accounts and considers them to be appropriately disclosed. • The Committee also reviewed supplementary information issued alongside the financial statements, including the Group's press release, to ensure consistency in the way APMs are disclosed and presented on a balanced basis alongside statutory reporting measures.	The definition of APMs can be located in the glossary on pages 261 and 262. Reconciliations of statutory revenue, operating profit and basic earnings per share to their underlying and organic equivalents are in the Financial review starting on page 55.

Fair, balanced and understandable

Each year, the Committee advises the Board on whether the Annual Report and Accounts taken as a whole are fair, balanced and understandable and provide the information necessary for shareholders to assess Sage's position, performance, business model and strategy. In reaching its conclusion, the Committee considered the results of management's assessment of going concern and viability, together with disclosures relating to the Group's principal and emerging risks, reviewed the Annual Report and Accounts as a whole, and assessed the results of processes undertaken by management to provide assurance that the Group's financial statements were fairly presented.

These processes included an analysis of how the key events in the year had been described and presented in the Annual Report and Accounts, how APMs had been defined and presented, and the outcome of representations received from country management teams on the application of a range of financial controls. The Committee also considered the perspective of the external auditor.

Risk management and internal controls

The Committee assists the Board in its monitoring of the Company's internal control and risk management systems, and in its review of their effectiveness. This monitoring includes oversight of all material controls, including financial, operational, regulatory and compliance controls, and assessing whether the control systems are fit for purpose and whether any corrective action is necessary. The Risk function reports into the EVP Chief Risk Officer, with the Sage Assurance (internal audit) function reporting, via the VP Assurance, directly to the Committee to maintain independence, and administratively into the General Counsel and Company Secretary.

During the year, the Committee:

- Reviewed the Principal Risks, their evolution during the year, and the associated risk appetites and metrics, challenging and confirming their alignment to the continued achievement of Sage's strategic objectives. At each meeting, the Committee considered and challenged the ongoing overall assessment of each risk, their associated metrics and management actions and mitigations in place and planned;
- In line with the above, the Committee considered a proposal from the EVP Chief Risk Officer to make minor changes to the external disclosure of Principal Risks (as set out on page 67) to better represent the Group's current strategic risks and their management, which the Committee agreed with;
- Received an update from the EVP Chief Risk Officer on business resilience preparedness, with a focus on key topics including product security, enterprise IT solutions and crisis management;
- Reviewed and considered an assessment of the effectiveness of risk management more broadly, and reviewed summary reports from Sage Risk and Controls and Sage Legal on the Group's adherence to policies, including Conflicts of Interest, Anti-Money Laundering, Sanctions, Competition Law, Anti-Bribery and Corruption and Modern Slavery;
- Received reports from Sage Assurance and management on internal control and monitored the implementation of management actions to remediate issues identified and make improvements. The Committee is satisfied that management's response to any financial reporting or internal financial control issues identified by the external auditor was appropriate;
- Received updates from the EVP Group Financial Controller and EVP Chief Risk Officer on the Group's preparedness for the updated UK Corporate Governance Code;
- Reviewed at each Committee meeting any escalated incidents and any instances of whistleblowing and management actions to remediate any issues identified (see Incident management, fraud and whistleblowing paragraph below for further details); and
- Considered individual incidents and associated actions to assess whether they demonstrated a significant failing or weaknesses in internal controls, of which none were identified.

For further details on the Group's risk management and internal control systems, its risk-informed decision-making process and its Principal Risks and uncertainties, refer to the Risk Management section on pages 62 to 72.

Specific areas of focus

The Committee spent time on the following specific areas of focus during the year to consider and challenge relevant, current and important issues:

- The impact of the updated UK Corporate Governance Code on the Group, with a particular focus on the internal control framework, considering the enhanced reporting requirements with respect to material controls. Further updates on this matter will be provided throughout FY25;
- An update on data privacy matters, considering the results from the latest external data protection maturity assessment, alongside updates on data privacy matters relating to the Group's strategic initiatives, including the Sage Network, and use of Artificial Intelligence and Machine Learning; and
- ESG reporting and compliance matters, with a focus on the evolving regulatory landscape (including EU CSRD compliance from FY26). As part of this, the Committee considered the processes and controls in place to ensure the integrity of ESG reported information, as well as the plans around assurance. In addition, the Committee received updates on the Group's progress towards achieving its Net Zero targets.

Incident management, fraud and whistleblowing

The Committee considered the suitability and alignment of the Incident, Emergency and Crisis Management and Whistleblowing policies and confirmed the effectiveness of these policies in facilitating appropriate disclosure to senior executive management and the Committee. At each meeting, the Committee received a summary report of any escalated incidents and instances of whistleblowing and, together with management, considered whether there were any thematic issues and identified remediating actions.

As part of this reporting process, the Committee was notified of all whistleblowing matters raised, including any relating to financial reporting, the integrity of financial management or that included any allegations relating to fraud, bribery or corruption. The Committee was also notified of all non-whistleblowing incidents exceeding an agreed materiality threshold.

Internal audit

Internal audit is delivered by the in-house Sage Assurance function. Reporting directly to the Committee and administratively to the General Counsel and Company Secretary, its remit is to provide independent and objective assurance over the Group's operations and activities, to assist management and colleagues in fulfilling their responsibility to develop and maintain appropriate internal controls.

The specific objectives, authority, scope and responsibilities of Sage Assurance are set out in more detail in the Internal Audit Charter, which is reviewed annually by the Committee. The Committee also considers and evaluates the level of Sage Assurance resource and its quality, experience and expertise, supplemented as appropriate by third-party support and subject matter expertise, to ensure it is appropriate to provide the required level of assurance over the Principal Risks, processes and controls of the Group.

Additionally, in line with both the recommendations of the UK Corporate Governance Code and the Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing (IPPF), the effectiveness of Sage Assurance is reviewed by the Committee on an annual basis. This is supplemented by an independent external quality assessment (EQA) at least once every five years, with the last EQA completed by PwC in August 2021. The next EQA is currently planned for FY25. Feedback from the 2021 EQA was positive and noted conformance with the IPPF, together with the IIA Code of Ethics and Code of Practice, a position which was reaffirmed by this year's annual internal effectiveness assessment, ahead of transition to the new Global Internal Audit Standards and Code of practice for FY25. This review was presented and discussed at the September 2024 Committee meeting, at which the Committee endorsed these conclusions.

The Committee reviews and approves the nature and scope of the work of Sage Assurance, and the Sage Assurance plan was approved by the Committee at the beginning of the financial year, along with any subsequent quarterly updates. Specific consideration was given to coverage of Principal Risks and the impact of business changes, with no significant or adverse impact on the business' internal control environment identified. The Assurance function continues to operate a hybrid delivery model, encompassing broad on-site presence across the Group in the period including visits to key locations in the UK, North America, South Africa, Southern and Central Europe, Iberia and Asia-Pacific.

Progress against the plan and the results of Sage Assurance's activities, including the quality and timeliness of management responses, is monitored at each Committee meeting. This includes consideration of a summary of report findings against the internal audit plan, reported at each meeting by Sage Assurance, as well as an executive summary for each individual internal audit.

Following its review of the Company's internal control systems, the Committee considered whether any matter required disclosure as a significant failing or weakness in internal control during the year. No such matters were identified.

External audit

The Group's current external auditor is EY. Each year, the Committee considers the auditor's effectiveness, including its independence, objectivity and scepticism. The Committee also reviews the application of, and compliance with, the Group's Auditor Independence Policy, in particular with regard to any non-audit services provided by EY. The Committee also considers business relationships between the Group and EY, which primarily relate to EY's procurement of Sage products and services.

Further consideration is given to partner rotation and any other factors which may impact the Committee's judgement regarding the external auditor. EY has now been Sage's external auditor for ten years since their initial appointment in 2015 with Kathryn Barrow appointed as lead EY audit partner in 2020.

Following the competitive audit tender process in FY23, KPMG will be appointed as external auditor for FY25 onwards, subject to shareholder approval at the upcoming annual general meeting. KPMG have attended the September 2024 and November 2024 Audit and Risk Committee meetings in a shadowing capacity and will attend in their full capacity as external auditors from February 2025 onwards.

Auditor effectiveness

The Committee is responsible for assessing the effectiveness of the external auditor. In doing so, the Committee considers the independence, objectivity and level of professional scepticism exercised by the external auditor, as well as the results of the annual auditor effectiveness review. To fulfil its responsibility for oversight of the external audit process, the Committee reviewed and agreed:

- The terms, areas of responsibility, associated duties and scope of the audit as set out in the external auditor's engagement letter;
- The overall work plan and fee proposal;
- The issues that arose during the course of the audit and their resolution;
- Key accounting and audit judgements;
- The level of errors identified during the audit; and
- Control recommendations made by the external auditor.

In addition to the above, specific considerations made by the Committee during the year included:

- The detail relating to EY's scoping and audit plan for FY24 which was presented to the Committee at its May meeting;
- The findings published by the Financial Reporting Council (FRC) into their view on the effectiveness of EY's audits;

- The experience and expertise demonstrated by the auditor in its direct communication with, and support to, the Committee;
- The content, quality of insight and added value provided by EY's reports;
- Robustness, including professional scepticism, and perceptiveness of EY in its handling of key accounting and audit judgements; and
- The interaction between management and the auditor.

At certain Committee meetings a separate private meeting was held between Committee members and the lead audit partner, Kathryn Barrow, to encourage open and transparent feedback. The Chair of the Committee also met with the external auditor outside of Committee meetings supporting effective and timely communication.

During the year the Committee also received feedback from various stakeholders across the businesses evaluating the performance of each assigned audit team. Management's report to the Committee included a summary of the findings of a survey of key Sage colleagues on the quality of the EY's delivery, communication and interaction with the various finance teams across the Group. Management concluded that the working relationship between finance functions and EY across the Group was effective and the audit had been carried out in an independent, professional, organised and constructive manner, with an appropriate level of challenge and scepticism over management's treatment of significant reporting and accounting matters.

Auditor independence

The Committee is responsible for the development, implementation and monitoring of policies and procedures to ensure auditor independence. At Sage this is governed by the Group's Auditor Independence Policy (the "Policy"). The Policy has been in place throughout the year. It specifies the role of the Committee in reviewing and approving non-audit services in order to ensure the ongoing independence of the external auditor. A summary of non-audit fees paid to the external auditor is provided to the Committee on a quarterly basis.

The Policy states that Sage will not use the external auditor for non-audit services, except in limited circumstances, and as permitted by the Ethical Standard, where non-audit services may be provided by the external auditor with pre-approval by the Committee unless clearly trivial. This is provided that the approval process set out in the Policy is adhered to and that potential threats to independence and objectivity have been assessed and safeguards applied to eliminate or reduce these threats to an appropriate level.

Any non-audit services individually in excess of £75,000 require pre-approval by the Chair of the Committee, as do any non-audit services where the cumulative total of previously approved non-audit services in the financial year exceed £75,000.

The Committee considered the application of the Policy with regard to non-audit services and confirms it was properly and consistently applied during the year. The Policy also requires that the ratio of audit fees to non-audit fees must be within Sage's pre-determined ratio, and non-audit fees for the year must not exceed 70% of the average of the external audit fees billed over the previous three years.

In 2024, the ratio of non-audit fees to audit fee was 10% (2023: 10%), principally reflecting the fee paid for the half-year interim review and permitted assurance services relating to the annual update of the Group's Euro-Medium Term Note Programme, as well as a set of agreed upon procedures over the mathematical calculation of ARR. A breakdown of total audit and non-audit fees charged by the external auditor for the year under review is shown in note 3.2 to the financial statements.

The Committee has also considered the independence of the external auditor's partners and staff involved in the audit of Sage. EY has confirmed that all its partners and staff complied with their ethics and independence policies and procedures that are consistent with the FRC's ethical standards including that none of its employees working on the audit hold publicly listed securities issued by Sage. In addition, the Committee acknowledges management's internal assessment that no employee in a key financial reporting oversight role has a close relationship with any EY employee which may impact their independence.

Change in external auditor

Ahead of KPMG's appointment of external auditor for FY25 onwards, subject to approval at the upcoming annual general meeting (AGM), the Group has commenced engagement and planning activities with respect to the external audit transition, which is led by the EVP Group Financial Controller.

The Committee has received updates on the progress made during the year on the external audit transition and will continue to closely engage on this topic throughout FY25. To assist with this oversight during the year and to date, KPMG were invited to attend both the September 2024 and November 2024 Committee meetings in a shadowing capacity. KPMG have also met with management during the year and shadowed clearance meetings as part of the FY24 financial close process.

Effective 1 April 2024, KPMG no longer provide non-audit services to the Group, in line with the Group's Auditor Independence Policy, and are considered independent as the incoming external auditor.

The Committee confirms that the Company is, and has been throughout the year under review, in compliance with the requirements of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee responsibilities) Order 2014.

Remuneration Committee

Remuneration Committee allocation of time

- Determining Remuneration Policy and its implementation **70%**
- Considering the views of our shareholders and reviewing trends in executive remuneration **20%**
- Reviewing the effectiveness of the Remuneration Policy **5%**
- Other **5%**—see page 126 for more details

"Sage has transformed into a highly successful, globally diversified technology business delivering sustained strong performance. To help formulate our new Remuneration Policy, we welcomed input from a wide range of shareholders who engaged with us during our consultation. Our proposed changes will drive strong alignment in pay for performance, reinforce the significant shareholder value we are delivering, and retain the high-calibre executives required for Sage's continued growth in a highly competitive global technology market."

Roisin Donnelly
Chair of the Remuneration Committee

Composition of the Committee

The Remuneration Committee is composed solely of independent Non-executive Directors, Dr John Bates and Annette Court, and is chaired by Roisin Donnelly. Details of the skills and experience of the Remuneration Committee members can be found in their biographies on pages 78 and 79.

Other Remuneration Committee members[1]

Dr John Bates

Annette Court

1. Drummond Hall was a Remuneration Committee member until 31 December 2023.

Scan or click the QR code for more information on the Committee's Terms of Reference

Dear shareholders,

I am delighted to present the Directors' Remuneration Report (the "Report") for the year ended 30 September 2024, my first as Chair of the Remuneration Committee (the "Committee"). I joined Sage's Board in February 2023 and took over as Chair of the Committee from Annette Court in May 2024.

This year we will be asking shareholders to vote on two remuneration resolutions at our 2025 AGM:

- Our Remuneration Policy (the "Policy"), which outlines the remuneration framework proposed for our Executive Directors, Non-executive Directors, and the Group Chair (set out on pages 129 to 136); and
- Our Annual Report on Remuneration, which sets out remuneration outcomes for FY24 and explains how we intend to apply the Policy in FY25 (set out on pages 137 to 155).

Shareholders will also be asked to vote on two remuneration-related resolutions at our 2025 AGM:

- Our new long-term incentive plan rules (The Sage Group plc. Long-Term Incentive Plan (LTIP), which will replace the existing Sage Group plc. Performance Share Plan (the PSP) which expires in March 2025, and combines each of our discretionary share plan rules (further information is provided in the Notice of AGM); and
- Removal of the discretionary plan 5% dilution limit from all of the Group's existing share incentive arrangements (further information is provided in the Notice of AGM).

New Remuneration Policy

As indicated in last year's Directors' Remuneration Report, the Committee has conducted an extensive review of the existing Policy to assess whether it enables Sage to continue to retain and attract the calibre of talent that has delivered significant shareholder value creation to date, and is vital to the achievement of Sage's ambition.

Key considerations in this review are set out below:

1. Strong performance and ambitious strategy

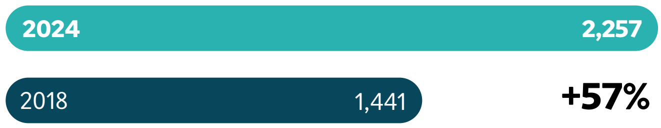
Under the leadership of the current Executive Directors, who were appointed in 2018, Sage has successfully transformed into a high-performing SaaS-based business and to a subscription model. This is demonstrated by the significant 57% increase in recurring revenue and almost 400% increase in Sage Business Cloud revenue since 2018, together with subscription penetration which now stands at 82% (46% in 2018).

Our resilient business model delivers high-quality revenues and robust cash flows. Financial performance has been strong, with revenue growth accelerating towards double digit in recent years, and earnings per share (EPS) growth currently ahead of this.

As a consequence, since Steve Hare's appointment as CEO in 2018, Sage has achieved a Total Shareholder Return (TSR) of 115% compared with 45% for the FTSE 100, and created almost £7bn of shareholder value.

Sage is well positioned to drive further efficient, sustainable growth with expanding margins. Our ambition is to create the world's most trusted and thriving network for SMBs, powered by Sage Copilot. We are focused on achieving this ambition by connecting SMBs through our network platform, by winning new customers and delighting existing ones, and by delivering productivity and insights driven by AI—as outlined in our growth strategy on page 15.

Recurring revenue (in £ million)



Substantial increase in recurring revenue as the business transitioned to a subscription model[1]

Sage Business Cloud revenue (in £ million)

Outstanding increase in Sage Business Cloud revenue as customers adopted cloud-based products[1]

1. These numbers are as reported, on an organic basis.

TSR: November 2018— September 2024

2. Realised pay has lagged performance

Sage has a culture of setting highly stretching budget and target ranges relative to the opportunity, and has a strong commitment to value creation. This has resulted in Steve Hare's average bonus and PSP payout between 2018 and 2023 being significantly below the FTSE 100 median, despite the strong performance outlined above. Over this time, the CEO's average bonus payout has been 55% compared with 70% for the FTSE 100 median, while his average PSP payout has been 33% compared with 56% for the FTSE 100 median.

The gap between Sage's performance and CEO realised pay is further magnified when viewed against Sage's TSR performance relative to the FTSE 100 over the three-year period to 31 December 2023. Sage achieved upper decile level TSR over this period, while CEO realised pay was only lower quartile. Consequently, the CEO's realised pay has significantly lagged the market, despite Sage delivering superior shareholder returns.

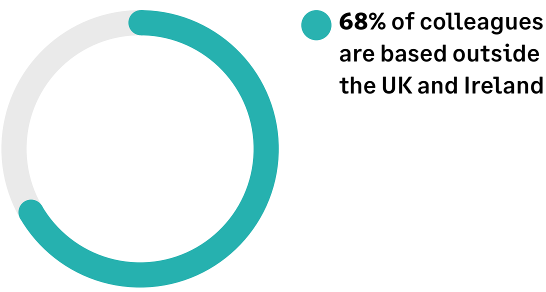
The Committee is mindful of this disconnect between pay and performance, and is committed to achieving stronger alignment to retain and motivate Sage's senior executives, recognising both the opportunity and the challenge of delivering Sage's strategic ambition and the associated growth in shareholder value.

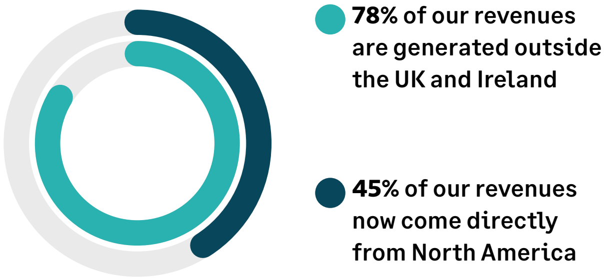
Percentile ranking of FTSE 100 three-year TSR

Percentile ranking of FTSE 100 CEO single figure of remuneration: 2021—2023

3. Highly competitive global talent market

Sage has become an increasingly globally diversified business. We operate across 19 countries, with a large proportion of colleagues based outside the UK and Ireland. In financial terms, almost 80% of our revenues are generated outside the UK and Ireland, with 45% of our revenues now coming from North America.





As a globally diversified business, Sage needs to compete effectively in the international technology talent market, in order to attract and retain talent and to capture the skills we need to succeed. This market is highly competitive and dynamic, is global in nature, and is heavily influenced by US-based companies.[1]

Our Policy review indicated that there are key differences between pay models of our global technology comparators (many of which are US-based) and our own pay model, which is UK-centric in nature. Typically, in the US, the annual bonus is paid wholly in cash, equity award quantum is significantly higher, share awards are usually a combination of performance shares and restricted shares, and there is not normally any concept of "discretionary plan" dilution award limits.

These pay model differences frequently result in overall reward outcomes which vary significantly from Sage's. In reaching this conclusion, we reviewed publicly available remuneration data from a range of businesses we consider to be our global technology comparators[2] for talent purposes. Sage has not used this comparator group as its formal market benchmark, as it comprises companies of differing size and scale,[3] is heavily focused on businesses based in the US, and includes some companies where pay-for-performance practices are not aligned to Sage's. However, it is relevant as wider context, and includes companies to which Sage has in the past lost senior leaders.

The maximum total remuneration data for CEOs in this comparator group for talent compared with Sage's CEO's current maximum total remuneration is shown on the next page. This analysis highlights the challenging reward environment in which Sage operates and competes for talent.

1. FTSE All-World Technology Index: 82% of the Index's weighting relates to US companies (at 31 May 2024).
2. Intuit, Workday, Amadeus IT Group, Hexagon Technologies, Ansys, Pure Storage, PTC, Xero, Trimble, Procore, Bill.com, Blackbaud, Diebold Nixdorf, and Sabre Corp.
3. Market capitalisation of this group ranges from \$6.7bn at lower quartile to \$29.3bn at upper quartile, revenue range for this group is \$1.4bn at lower quartile to \$5.2bn at upper quartile, and headcount ranges from 4,582 at lower quartile to 17,758 at upper quartile. Data sourced in April 2024 at the outset of our Policy review.

Positioning of CEO's maximum remuneration compared with global technology comparators

CEO current maximum remuneration (£5.4m)
Lower quartile (£7.9m) to median (£11.5m)
Median (£11.5m) to upper quartile (£17.8m)

Note on global technology comparator group for talent: Remuneration is maximum opportunity (salary + pension + maximum bonus + maximum LTIP vesting with no share price growth). Sage figures based on current remuneration package for the CEO.

These challenges also apply to critical senior leadership roles below Board level, where we face material talent retention risks due to the broader technology pay environment. For example, Sage has recently lost a senior female leader to a US-based company within the global comparator group, partly on the basis of remuneration.

Additionally, we have experienced difficulty in recent years attracting and hiring externally for key leadership roles below Board level due to remuneration package quantum and structure. For example, when seeking to hire for our President North America role in 2022, we found that external candidates' expectations of the remuneration package were materially higher than our offer range, and if met, would have significantly exacerbated pay compression at Executive Director levels.

The typical US remuneration quantum and structure make it particularly challenging for us to compete for senior US-based executives. To date, we have managed this challenge by relocating high-calibre internal talent; for example, both our Managing Director and Finance Director for North America were relocated to the US from other countries. However, given the scale of our North America business, where we generate over £1 bn of revenue, it is critical for our long-term success that we sustain a talent pool of internal and external candidates in this key market.

4. Remuneration Policy proposals

Having considered the above issues, the Committee is proposing to update the existing Policy, in order to resolve the current disconnect between pay and performance, and to address the significant talent attraction and retention risks we face, while remaining consistent with the Investment Association's Principles of Remuneration and with our own remuneration principles.

We believe the Policy must be revised to be more globally competitive, in order to attract and retain the talent required to continue Sage's growth and deliver our strategic ambition.

However, we also remain cognisant of the importance of the UK market as a reference point from a governance perspective and the Investment Association's guidance that "simplicity is encouraged".

For our current Executive Directors, within the revised Policy:

- **We have retained a UK comparator group as our market benchmark. That group has been updated to comprise FTSE 11-50 companies (excluding financial services)[4] which reflects Sage's increased size, global breadth, and position within the FTSE 100.**
- **We have retained the standard UK remuneration structure of salary, annual bonus and performance shares.**

Despite the 9.9% base salary increase implemented for the CEO in January 2024, his current maximum total remuneration opportunity is at lower quartile compared to our updated UK benchmarking group, as shown in the chart below. We have also used this benchmarking group as a final step to validate our Policy proposals and implementation, as outlined on pages 120 to 121.

Market positioning of maximum CEO remuneration compared with the FTSE 11-50 (excluding financial services companies)

CEO current maximum remuneration (£5.4m)
Lower quartile (£5.5m) to median (£8.1m)
Median (£8.1m) to upper quartile (£9.4m)

In formulating the proposed 2025 Policy, the Committee has considered the requirement to be fair and competitive within the global technology market, reflecting the recent and potential future value creation for shareholders and the talent pressures faced by the business, while seeking to strengthen pay for performance, maintain an appropriate balance of fixed and variable reward, and stay true to UK market governance expectations.

As part of an extensive consultation with shareholders during August and September, the Committee shared initial proposals with 18 shareholders, covering 59% of our issued share capital. Feedback from this initial phase helped to shape revised proposals, which were communicated in October to 46 shareholders (covering 75% of Sage's voting rights in total), and also to proxy agencies. Further meetings with shareholders and proxy agencies were held during October and November, with feedback flowing into the final Policy proposals.

4. FTSE 11-50 excluding financial services companies at April 2024, comprising the following companies: Anglo American, Ashtead Group, Associated British Foods, BAE Systems, British American Tobacco, BT Group, Bunzl, Coca-Cola HBC AG, Compass Group, Experian, Flutter Entertainment, Glencore, Haleon, Halma, Imperial Brands, Informa, InterContinental Hotels Group, Melrose Industries, National Grid, Next, Reckitt Benckiser Group, Rentokil Initial, Rolls-Royce Holdings, SEGRO, Smith & Nephew, Smurfit Kappa Group, SSE, Tesco, Vodafone Group, WPP.

I would like to thank everyone we engaged with for their valuable input during this process, which has informed the detail of the Policy. Overall, the majority of shareholders were supportive of our proposals and recognised the rationale for the changes, in light of the quality of the executive leadership, Sage’s strong and sustained performance, and the need for Sage to compete effectively in a global talent market.

The table below summarises our initial proposals in relation to the standard elements of the Executive Director remuneration package, together with the changes made as a result of the consultation process.

Policy element	Current Policy	Initial proposal	Changes to proposal following consultation
Annual bonus	One-third of any bonus earned is deferred into Sage shares for three years.	Bonus deferral requirement would be removed once a Director’s enhanced shareholding guideline had been met.	Retain an element of bonus deferral at a reduced level (15% of any bonus earned) once the shareholding guideline has been met.
	Consultation feedback: Shareholders understood the rationale in the context of the Executive Directors’ high level of shareholding against guidelines, but some shareholders preferred that a level of bonus deferral was retained.		
Long-Term Incentive Plan	300% of base salary	Increase Policy cap to 450% of base salary in order to align overall pay opportunity to level of value created in our three-year plan.	Reduced Policy cap to 400% of salary.
	Consultation feedback: Shareholders were supportive of the proposed increase to quantum overall. However, the Committee was mindful to avoid building headroom into Policy limits over and above the proposed maximum FY25 award level of 400% of base salary for the CEO.		
Shareholding guideline	CEO: 350% of salary CFO: 275% of salary	CEO: 500% of salary CFO: 350% of salary	No change
	Consultation feedback: Shareholders welcomed the increase to shareholding guideline.		

While the intent of the Policy is first and foremost to retain and motivate Sage’s existing executives, the Committee also considered remuneration arrangements should a recruitment scenario arise during the three-year term of the Policy.

When considering the degree of flexibility needed in the Policy to ensure that we would be able to attract high-calibre Executive Director candidates, the Committee reviewed remuneration arrangements in the global comparators (as outlined on page 118) alongside the FTSE 11-50 (excluding financial services) as examples of packages that could be expected by candidates, highlighting significant variation between remuneration levels. The Committee also considered that a number of companies from which talent might potentially be sourced are owned by private equity firms, operating pay models that are significantly different in nature. As a result, in order to be competitive within the global talent market when appointing a new Director, the Policy includes the arrangements detailed in the table below (applicable in the first year in role only).

Initial proposal	Changes to proposal following consultation
Maximum level of variable remuneration for a newly appointed Director could be set at up to a premium of 50% of the total variable remuneration outlined in the Policy table and with the premium not being time bound.	The following arrangements restricted to the first year within the role: • A long-term incentive award up to a maximum of 650% of base salary; and • Such combination of performance shares and restricted shares as is viewed appropriate (with the face value of restricted shares discounted by 50% compared with performance shares in line with standard UK practice). Weighting of the total award would comprise a maximum of 50% restricted shares. The standard vesting period of three years, plus a two-year holding period would apply regardless of the type of award granted.
Consultation feedback: Many shareholders were supportive of there being a sensible level of flexibility in the recruitment arrangements to meet potential commercial needs, but some were of the view that any such arrangements should be limited to the first year of employment, which has been reflected in the final proposals.	

Implementation of new Policy in FY25

As part of improving the disconnect between pay and performance, and in order to maintain appropriate internal pay relativities amongst our broader executive leadership, the Committee intends to make amendments to base salary and LTIP award levels in FY25. These changes were discussed as part of the extensive shareholder consultation exercise.

Base salary

The Committee originally proposed a one-off increase to reset base salary. Whilst being broadly comfortable with the strong rationale for such an adjustment, some shareholders expressed a preference for it to be phased over two years and this has been reflected in our proposed implementation, as follows:

With effect from 1 January 2025:

- Increase CEO salary from £925,000 to £1,063,750 (15% increase); and
- Increase CFO salary from £606,000 to £684,780 (13% increase).

With effect from 1 January 2026:

- Increase CEO salary from £1,063,750 to £1,223,313 (15% increase); and
- Increase CFO salary from £684,780 to £773,801 (13% increase).
- The Remuneration Committee retains its general discretion to ensure continued alignment of pay for performance.

Incentive plan opportunity

Annual bonus opportunity remains unchanged in FY25 at 175% of salary. LTIP awards worth 400% and 300% of salary will be granted to the CEO and CFO respectively subject to the approval of the 2025 Policy.

Market positioning of proposed maximum CEO remuneration compared with the FTSE 11-50 (excluding financial services companies)

The chart above shows that the combination of change to base salary over the two-year period and revised LTIP (of 400% of base salary) results in a maximum total remuneration package slightly above the current median of our new UK comparator group in order that the CEO's package is broadly aligned with the prevailing market median (assuming 3% market growth) by the time that the second instalment of the salary increase is implemented in 2026.

FY25 incentive plan measures

Our Remuneration Policy incentivises the delivery of our strategy to achieve sustainable, efficient growth. The choice of incentive plan measures for FY25 is, in the Committee's opinion, the best way to drive sustainable value creation for stakeholders, as set out below.

FY25 award	How it promotes the achievement of strategy	FY25 measures		How it will be measured	Changes in FY25
Annual bonus	Incentivises management to deliver strong annual revenue growth, balanced with customer and strategic goals	Total underlying revenue growth[1]	70% of bonus	See page 261 for the definitions of underlying measures	ARR growth has been the financial measure in the bonus plan for several years. This has been appropriate until now as a forward-looking measure given Sage's position in its transformation. Sage now has a high-quality total revenue base which is over 97% recurring, with 82% from software subscription, leading to greater convergence between recurring and total revenue growth. As Sage has transitioned to a total revenue focus externally and provides market guidance on this basis, it will replace ARR growth as the financial measure for the FY25 bonus plan.
		Customer measure (inclusive of NPS)	10% of bonus	Assessment of the customer measure against goals set	
		Strategic goals	20% of bonus	Assessment of individual Executive Directors' performance against their strategic goals	
LTIP	Incentivises management to scale the business efficiently over the long term	Basic underlying EPS[2]	60% of LTIP	See page 261 for the definitions of underlying measures	There are no changes to metrics from FY24, but weightings have been adjusted to reflect business focus over the next three years. EPS was introduced into the LTIP in FY24 and is a critical measure of Sage's overall performance as we seek to scale the business efficiently.
		Relative TSR	30% of LTIP	Relative TSR measures the total shareholder returns of Sage and the FTSE 100 comparator group over the performance period on a ranked basis	
		ESG	10% of LTIP	Progress against the Sustainability and Society strategy	

1. Payout is subject to the achievement of an underlying operating margin underpin.
2. ROCE Underpin to EPS

Incentivising balanced performance in FY25 in line with our strategy

Balanced growth

The weighting of both total revenue in the annual bonus and EPS growth in the LTIP incentivises the delivery of complementary objectives: achieving high-quality revenue growth and a gradually improving margin as we scale the business efficiently, while investing in future growth.

A high-quality revenue mix with the ability to explore adjacent revenue opportunities

Incentivising total revenue aligns with our market guidance, and will ensure recurring revenue, which represents 97% of total revenue and is central to our growth plans, is maximised. It will also support management in the additional development of adjacent, high-quality revenue opportunities, including, for example, certain digital network services. When determining incentive outcomes, the Committee will examine the quality of our revenue mix as part of the broader context in which performance was delivered.

Strategically aligned M&A in a fast-paced sector

Strategically aligned acquisitions enable Sage to accelerate its strategic progress. The ROCE underpin ensures a continued focus on value creation with regard to such acquisitions. Revenue and EPS are measured on an underlying basis, so the impact of M&A decisions on revenue and EPS growth can be evaluated. The Committee will review, based on materiality, the impact of significant acquisitions and disposals on the annual bonus and LTIP, and judge whether an adjustment to incentive targets or outcomes is required. Any adjustment would be disclosed in the Directors' Remuneration Report.

Setting target ranges to reward performance appropriately

The goal of creating value for stakeholders involves a balance between incentivising high performance relative to our ambition, and providing fair and competitive reward aligned with the experience of our external stakeholders. The Committee determines target ranges for the annual bonus and LTIP through a robust review process which considers, where relevant, various factors, including, but not limited to, the current business plan and budget, historical performance, peer benchmarks, and market forecasts. This helps to ensure that remuneration outcomes are appropriate for the level of performance achieved through the full target ranges.

Assessing quality when determining outcomes

When determining incentive outcomes, the Committee will examine various factors, including the broader context in which performance was delivered. This will include balanced growth, a high-quality revenue mix, and strategically aligned M&A, as components of the shareholder experience. The Committee has the discretion to decide whether and to what extent the performance conditions have been met, and in appropriate circumstances, to override the formulaic outcome.

Delivering our remuneration principles in FY25

We aim to align the total remuneration for our Executive Directors to our business strategy through a combination of salary, bonus, and long-term incentive schemes underpinned by stretching performance targets. The table below summarises the remuneration arrangements for our current Executive Directors in FY25 in accordance with our revised Policy (subject to shareholder approval at the 2025 AGM) and our remuneration principles, which are:

- Drives focus on strategy, purpose, and culture
- Market competitive
- Simplicity
- Aligned with shareholder interests

Element of Policy	Purpose	Implementation in FY25
Base salary	Enables Sage to attract and retain Executive Directors of the calibre required to deliver the Group's strategy.	CEO: £1,063,750 (15% increase) CFO: £684,780 (13% increase) The equivalent average increase for colleagues eligible for an annual pay award is 4% (in respect of colleagues based in the UK).
Pension	Provides a competitive post-retirement benefit, in a way that manages the overall cost to the Company.	10% of base salary for both the CEO and CFO in line with the pension benefit for the UK wider workforce.
Benefits	Provide a competitive and cost-effective benefits package to Executive Directors to assist them in carrying out their duties effectively.	Standard benefits package plus costs of travel, accommodation, and subsistence for the Executive Directors and their partners on Sage-related business.
Annual bonus	Rewards and incentivises the achievement of annual financial and strategic targets. A minimum of one third deferral into shares for three years is compulsory until the enhanced shareholding guideline is met, following which the deferral requirement reduces to 15% of any bonus earned. The remainder is delivered in cash.	Maximum 175% of base salary 70% based on underlying total revenue growth (with an underlying operating profit margin (UOP) underpin), 10% on a customer-related measure inclusive of Net Promoter Score, and 20% based on strategic goals.
Performance share awards	Supports achievement of our strategy by targeting performance under various financial performance indicators. Vesting is after three years, and awards are subject on vesting to a holding period of two years before being released.	Face value of 400% of base salary for the CEO Face value of 300% of base salary for the CFO 60% based on underlying EPS with a ROCE underpin, 30% based on relative TSR performance, and 10% based on an ESG basket of measures.
All-employee share plans	Provides an opportunity for Executive Directors to voluntarily invest in the Company.	Eligible to participate up to the tax-efficient limit of £500 per month.
Chair and Non-executive Director fees	Provide an appropriate reward to attract and retain high-calibre individuals.	**See page 151 of this Report for a list of Non-executive Director fees.**
Shareholding guideline	The shareholding guideline for the CEO is 500% of base salary and for the CFO is 350% of base salary. Achievement of this is expected within a maximum of five years from the time the Executive Director became subject to the guideline. The post-employment shareholding guideline requires Executive Directors to retain shares following cessation of employment as a Director in line with Investment Association guidelines.	Shareholding at 30 September 2024 (inclusive of deferred shares held, net of tax at the current estimated marginal tax withholding rate, and Sage shares held by an Executive Director's connected person): CEO 848% of base salary CFO 634% of base salary **See page 151 for more information on the shareholding guideline.**

Directors' Remuneration Report continued

Remuneration at a glance

The summary below sets out clearly and transparently the total remuneration paid to our Executive Directors in 2023/2024.

Fixed pay for FY24
- Base salary
- Benefits
- Pension

See page 137

Annual bonus for FY24
- 10.8% ARR growth achieved
- Customer experience scorecard
- Personal strategic goals

See page 138

PSP awards vesting in FY24
- 82nd TSR percentile rank
- 87.7% Sage Business Cloud penetration achieved
- ESG basket of measures
- Underpins met

See page 142

Key remuneration outcomes for FY24

	Measure	Weighting	% of the overall maximum award
Annual bonus	ARR growth[1]	70%	35.0%
	Customer experience scorecard	10%	5.7%
	CEO performance against personal strategic goals	20%	15.2%
	CFO performance against personal strategic goals	20%	19.0%
	CEO total bonus opportunity achieved	100%	55.9%
	CFO total bonus opportunity achieved	100%	59.7%
Performance Share Plan	Sage Business Cloud penetration[2]	55%	55.0%
	Relative TSR	30%	26.8%
	ESG: Sage Foundation ecosystem volunteering hours	3.75%	2.0%
	ESG: Individuals supported through Sustainability and Society strategy	3.75%	3.75%
	ESG: Achieving certified verification of ESG process effectiveness and performance impact	7.5%	7.5%
	Total Performance Share Plan opportunity achieved	100%	95.1%

1. Payment of a bonus for ARR growth is subject to the achievement of an underpin condition of Group UOP margin of 18.5%. Group UOP was 22.9% and the underpin met. Actuals have been retranslated at budgeted foreign currency exchange rates consistent with the basis on which the targets were set.
2. For any of this portion of the PSP award to vest, underpins relating to ROCE (12.0%), absolute organic revenue growth (>0.0%), and cloud native penetration (25.0%) must be met across the three-year performance period. ROCE of 21.3%, absolute organic revenue growth of 28.0%, and cloud native penetration of 34.1% were achieved across the performance period, therefore the underpins were met.

FY24 performance and incentive outturns

Sage has delivered another strong year, with underlying total revenue growth of 9% and underlying operating profit margin of 22.7%; focus continues on scaling the business, with growth creating the headroom to increase investment and expand margins. This has been reflected in incentive payouts of 55.9% to 59.7% of maximum in the annual bonus and 95.1% of maximum in the PSP award. The Committee is satisfied that these outcomes are consistent with the overall business performance over the relevant performance periods.

Wider workforce context

Our colleagues deliver extraordinary outcomes every day and it is important for us to ensure they are rewarded fairly, feel valued, and are advocates for Sage. Colleague engagement has remained high in 2024, with employee satisfaction (eSAT) of 76 and a Glassdoor score of 4.0 (out of 5). Sage has also earned a place on Glassdoor's UK Best Places to Work 2024 list. Across our workforce, our annual pay review budget is aligned with the external software market, and pay increases are aligned to a colleague's proficiency and impact to ensure appropriate reward levels. Sage continues to be an accredited Living Wage Foundation employer. Additionally, Save and Share, our all-colleague share plan, enables eligible colleagues to become shareholders at all levels across the business. Total participation across all-colleague plans in 2024 was 36% of eligible colleagues.

The Committee also undertook a review of remuneration and related policies for the wider workforce, and deemed that the remuneration policies and practices for Executive Directors are aligned to the wider workforce. This is achieved by consistent performance measures in the annual bonus plan, pay principles that are applicable across the entire workforce, and application of the annual pay review process consistently across all colleagues.

In view of the above, the Committee is striving to balance the need for remuneration to reward high performance and strategic delivery, to remain competitive within the global talent market, and to align to the external operating environment and UK corporate governance requirements.

Engagement with stakeholders

The Committee values input from shareholders and is committed to ensuring open and transparent dialogue in regard to executive remuneration. Where appropriate, the Committee seeks the views of the largest shareholders individually and others through shareholder representative bodies when considering any significant changes to the Policy. Any feedback received is thoughtfully reviewed and, where appropriate, changes are implemented. Extensive shareholder consultation has been undertaken during the Policy review, as outlined on page 119.

Colleague success is critical for Sage and engaging with the workforce through meaningful, two-way dialogue underpins this. The CEO hosts frequent "All-Hands" calls for the whole workforce, during which he provides Company performance updates explaining how this translates to the bonus plan. Colleagues are encouraged to ask questions and the CEO provides open and transparent answers.

Additionally, Company performance and bonus updates are periodically provided on our intranet site and by email; this ensures that colleagues are able to understand how the business is performing during the financial year and the impact that can have on their reward package.

Colleagues receive a detailed personal reward statement annually in December outlining their basic salary and bonus plan structure (where applicable) for the year.

Colleagues have the opportunity to share their thoughts and feedback on all topics, including our remuneration policies and practices, through our "Always Listening" survey. Originally launched during 2020 in response to the pandemic, this is a continuous feedback survey which colleagues can access at any time. In addition, our bi-annual colleague Pulse Surveys have a high response rate, demonstrating that colleagues welcome the opportunity to share their thoughts, and CEO roundtables also give opportunities for colleagues to provide direct feedback.

A global Reward and Recognition policy is available to all colleagues and applies across the entire workforce.

Furthermore, colleagues are able to access a more detailed explanation of executive pay through this Report and of our equity awards through our colleague intranet.

Concluding remarks

The Committee reviewed the implementation of the Policy over 2024 and judged it to be operating as intended and with no deviation from the approved Policy. It determined this through the periodic review of potential incentive outcomes and their contribution to the single figure for remuneration; a consideration of wider business performance including customer metrics; the experience of shareholders and our TSR; and the experience of our colleagues.

This letter, along with the broader Directors' Remuneration Report, outlines the Group's approach to remuneration, which takes into account best practice and market trends while continuing to support the Group's commercial priorities, as well as the interests of shareholders and other stakeholders. The Committee gives high priority to ensuring that there is a clear link between pay and performance, including a focus on culture and adherence to the Group's risk framework, and that our remuneration outcomes reflect this broader context.

I would like to extend my thanks to Annette Court for her significant contributions during her tenure as Chair of the Remuneration Committee and for assisting me in transitioning into this role. Additionally, I would like to thank my fellow Committee members and all internal and external stakeholders for their valuable input throughout the year. We look forward to your support of our proposals at the upcoming AGM.

Roisín J.C. Donnelly

Roisin Donnelly
Chair of the Remuneration Committee
19 November 2024

Remuneration Committee governance

Committee meetings

The Committee held six scheduled meetings during FY24. Details of individual attendance at scheduled meetings are provided in the table below.

Activities of the Committee at a glance

Allocation of time

Note: Allocation of time has been rounded to the nearest 5%.

	2 November 2023	16 November 2023	8 February 2024	14 May 2024	9 July 2024	30 September 2024
Committee members						
Roisin Donnelly[1]	●	●	●	●	●	●
Annette Court[2]	●	●	●	●	●	●
Drummond Hall[3]	●	●	–	–	–	–
Dr John Bates	●	●	●	●	●	●

1. Roisin Donnelly was appointed Chair of the Remuneration Committee on 1 May 2024.
2. Annette Court stepped down as Chair of the Remuneration Committee on 30 April 2024.
3. Drummond Hall retired on 31 December 2023.

Activities and evaluation

Details of the Committee’s activities are set out below.

Activities of the Committee

During the year, the Committee focused on the matters summarised in the table below:

Key area of activity	Matters considered	Outcome
Determining the Policy and its implementation	• Determined bonus targets and outcomes for 2023 and PSP outcomes for the 2021 award. • Reviewed content of the 2023 Directors’ Remuneration Report. • Adjustments required to the 2025 Policy to ensure Executive Directors’ remuneration is aligned to the strategic requirements and long-term goals of the business.	• 2023 bonus determined at 68.1% to 69.1% of potential, as disclosed in last year’s Report. • 2021 PSP determined at 73.1% of the overall award for vesting, as disclosed in last year’s Report. • Approved the 2023 Directors’ Remuneration Report. • Consultation with shareholders on proposals for the 2025 Policy.
Considering the views on remuneration of our stakeholders and reviewing trends in executive remuneration	• At least quarterly, the Committee’s advisors presented on market trends, legislative change, and corporate governance requirements in executive remuneration.	• Views of shareholders, proxy voting agencies, and market insight provided invaluable context for the Committee’s deliberations on the implementation of the Policy and its effectiveness.
Reviewing the effectiveness of the Policy	• Reviewed performance against in-flight incentive plans and the forecast single figure for remuneration for Executive Directors. • Reviewed remuneration-related risks. • Reviewed the structure of remuneration. • Discussed the base salaries, and the bonus and LTIP structure for 2025 through the implementation of the 2025 Policy.	• Determined that the Policy was operating as intended for FY24.
Other	• Reviewed the Committee’s Terms of Reference. • Reviewed workforce remuneration and related policies.	• Determined no change to the Committee’s Terms of Reference. • Considered the implementation of the 2025 Policy in FY25 in light of workforce remuneration.

Corporate Governance Code considerations

We are fully compliant with the UK Corporate Governance Code 2018. When reviewing the Policy for Executive Directors and determining the approach to pay, in line with the Code, the Committee gives consideration to the following:

Clarity	**Code provision:** remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	Engaging with stakeholders effectively, in a timely, transparent, and relevant manner is important for the Company. Further details on how we engage with stakeholders can be found on page 125. The purpose, strategic alignment, and structure of each element of pay is provided in the Policy and easily accessible on our Company website.
Simplicity	**Code provision:** remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	Simplicity is one of our remuneration principles and guides the design of our remuneration structures. Remuneration arrangements in place for Executive Directors are not complex: executives are eligible for an annual bonus and a performance share award under our long-term incentive plan, the metrics of which are aligned to the Company's strategy. Salaries are reviewed annually across the whole workforce and benefits including pension provision are provided in line with local market norms. This Report provides open and transparent disclosure of executive remuneration for our workforce and our shareholders.
Risk	**Code provision:** remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	There is an appropriate mix of fixed and variable pay and financial and non-financial measures and goals in our remuneration plans. There are mechanisms in place to ensure alignment with long-term shareholder interests and the ongoing performance of the business: one third of annual bonus is deferred into Sage shares (reducing to 15% of any bonus earned, once a Directors' enhanced shareholding guideline is met, subject to approval of the revised Policy), a holding period of two years is applicable to performance share awards, and Executive Directors are required to build up and maintain a significant holding of Sage shares both whilst an Executive Director (subject to approval of the revised Policy), this will be 500% of salary for the CEO and 350% of salary for the CFO) and for a two-year period after stepping down from that position (100% of their "in-employment" guideline for two years after stepping down as a Director). The Committee is able to exercise discretion over the formulaic outcomes of the bonus and performance share awards to ensure outturns reflect the performance of the Executive Directors and the business. Malus and clawback provisions are applicable to these plans in the event of a trigger event.
Predictability	**Code provision:** the range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the Policy.	Incentive opportunities are capped with clearly defined payout schedules, deferral requirements, and holding periods.

Proportionality	**Code provision:** the link between individual awards, the delivery of strategy, and the long-term performance of the company should be clear. Outcomes should not reward poor performance.	Executive Directors' total remuneration package is designed to ensure that remuneration increases or decreases in line with business performance and aligns the interests of Executive Directors and shareholders, specifically with the annual bonus and performance share awards rewarding over the short and long term. Stretching targets over an annual (applicable to annual bonus) and three-year performance period (applicable to performance share awards) are approved by the Committee and assessed at the end of the performance period, taking into account the wider business performance and the internal and external context. The Committee has overriding discretion over the formulaic outcomes of the bonus and performance share awards to ensure outturns reflect performance of Executive Directors, the business, and the shareholder experience, ensuring that poor performance is not rewarded.
Alignment to culture	**Code provision:** incentive schemes should drive behaviours consistent with the Company purpose, Values, and strategy.	Incentive schemes are aligned to Sage's culture. The bonus plan is split between Company performance and achievement of strategic goals, which incorporate non-financial metrics such as employee engagement, leadership development, inclusion, talent development, and the community. The Company performance measures are central to the strategic progression of Sage and the strategic goal assessments are completed taking into account outputs and how they have been delivered in respect of the Company's Values and Behaviours. Performance share award measures align to the Company's strategic priorities in addition to the wider shareholder experience through TSR. The ESG measures first introduced into performance share awards in 2022 and updated for 2025 will drive achievement of the Sustainability and Society strategy. Full details of the proposed measures can be found on pages 149 and 150.

This Report complies with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013, the provisions of the UK Corporate Governance Code 2018, the Companies (Miscellaneous Reporting) Regulations 2018, the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, and the Listing Rules.

Remuneration Policy 2025

The current Policy was approved by our shareholders at the 2022 AGM and can be found in full in the 2021 Annual Report, a copy of which can be downloaded from www.sage.com/investors.

We are required by law to put a Policy (the "2025 Policy") to our shareholders for approval at the 6 February 2025 AGM. The 2025 Policy is set out on pages 129 to 136 of this Report and, subject to shareholder approval, will take effect immediately after the AGM.

The Remuneration Committee discussed the 2025 Policy over a series of meetings which considered the strategic priorities of the business, talent requirements, stakeholder views, and evolving market practice. Input was sought from the CEO and members of the People team, while ensuring that conflicts of interest were suitably mitigated, but enabling consideration of the wider workforce when evaluating remuneration. An external perspective was provided by our major shareholders and our independent advisors, Deloitte.

The key changes from the previous Directors' Remuneration Policy, which are explained in the Remuneration Committee Chair's Statement, are as follows:

- The Directors' shareholding requirement will increase to 500% of salary for the CEO and 350% of salary for the CFO.
- The requirement to defer one third of bonus into shares for three years is retained unless a Director is compliant with their enhanced shareholding guideline (as noted above). If already compliant, the deferral requirement reduces to 15% of any annual bonus earned.
- A UK comparator group has been retained as the primary market benchmark. The group has been updated to comprise FTSE 11–50 companies (excluding financial services), which reflects Sage's increased size and its global breadth.
- The overall individual limit of a performance share award (PSA) will increase to 400% of salary.
- To simplify the vesting schedule of PSAs, the requirement to have a "stretch" vesting point within the target range has been removed.
- In order to be competitive with the global talent market, the Committee has the flexibility within the recruitment section of this Policy to offer a new Director, in their first year within the role only, an enhanced total long-term equity award of up to 650% of salary (excluding buyouts), delivered in such combination of performance shares and restricted shares as is viewed appropriate (with the face value of restricted shares being discounted by 50% compared with performance shares in line with current standard UK practice). Weighting of the total award would be up to a maximum of 50% restricted shares. Any use of this flexibility would be fully detailed and explained in the relevant Directors' Remuneration Report following the Director's appointment. A vesting period of three years, with a two-year holding period, would be applicable regardless of award type.

Remuneration Policy table

The table below sets out the Policy that the Company will apply from 6 February 2025 subject to shareholder approval.

Alignment with strategy/purpose	Operation	Maximum opportunity	Performance measures
Base salary Supports the recruitment and retention of Executive Directors from a global talent market of the calibre required to deliver the Group's strategy. Rewards executives for the performance of their role. Set at a level that allows fully flexible operation of our variable pay plans.	Normally reviewed annually, with any increases applied from January. When determining base salary levels, consideration is given to factors including the following: • Pay increases for other employees across the Group; • The individual's skills and responsibilities; • Pay at companies of a similar size and international scope to Sage, in particular those within the FTSE 11–50 (excluding financial services companies); and • Corporate and individual performance.	Ordinarily, salary increases will be in line with increases awarded to other employees in major operating businesses of the Group. However, increases may be made above this level at the Remuneration Committee's discretion to take account of individual circumstances such as: • Increase in scope and responsibility; • The individual's development and performance in role (e.g. for a new appointment where base salary may be increased over time rather than set directly at the level of the previous incumbent or market level); and • Alignment to market level. Accordingly, no monetary maximum has been set.	None, although overall performance of the individual is considered by the Remuneration Committee when setting and reviewing salaries annually.

Alignment with strategy/purpose	Operation	Maximum opportunity	Performance measures
Pension Provides a competitive post-retirement benefit, in a way that manages the overall cost to the Company.	Defined contribution plan (with Company contributions set as a percentage of base salary). An individual may elect to receive some or all of their pension contribution as a cash allowance.	The Company contribution rate for Executive Directors is aligned with the rate available to the majority of the workforce (currently 10% of salary).	None.
Benefits Provide a competitive and cost-effective benefits package to executives to assist them to carry out their duties effectively.	The Group provides a range of benefits which may include a car benefit (or cash equivalent), private medical insurance, permanent health insurance, life assurance and financial advice. Additional benefits may also be provided in certain circumstances which may include relocation expenses, housing allowance, school fees, tax return support, and tax equalisation payments. Business expenses and associated tax thereon may also be reimbursed. Other benefits may be offered if considered appropriate and reasonable by the Remuneration Committee.	Set at a level which the Remuneration Committee considers: • Appropriately positioned against comparable roles in companies of a similar size and complexity in the relevant market; and • Provides a sufficient level of benefit based on the role and individual circumstances, such as relocation. As the costs of providing benefits will depend on the Director's individual circumstances, the Remuneration Committee has not set a monetary maximum.	None.
Annual bonus Rewards and incentivises the achievement of financial and strategic targets over the year. An element of compulsory deferral, provides a link to the creation of sustainable long-term value.	Performance measures, weightings, and targets are set and payout levels are determined by the Remuneration Committee based on performance against those targets. The Remuneration Committee may, in appropriate circumstances, override the formulaic outcome and amend the bonus payout should this not, in the view of the Remuneration Committee, reflect overall business performance or individual contribution. The default arrangement is that a minimum of one third of any annual bonus earned by Executive Directors is delivered in deferred share awards with the remainder delivered in cash. The deferral requirement reduces to 15% of any annual bonus earned by Executive Directors once their enhanced shareholding guideline, as outlined within the shareholding guideline section of this table, is met. The Committee has discretion to defer bonus in cash if dealing restrictions prevent share awards being granted. The deferral period will usually be a minimum of three years.	175% of salary. Up to 50% of the bonus can be paid for delivering a target level of performance.	At least 70% of the bonus will be determined by measure(s) of Group financial performance. No more than 30% of the bonus will be based on pre-determined financial, strategic, ESG, or operational measures appropriate to the individual Director. The measures that will apply for the financial year 2025 are described in the Directors' Annual Remuneration Report.

Alignment with strategy/purpose	Operation	Maximum opportunity	Performance measures
Performance share awards (PSA) Motivates and rewards the achievement of long-term business goals. Supports the creation of shareholder value through the delivery of strong market performance aligned with the long-term business strategy. Supports achievement of our strategy by targeting performance under our key financial performance indicators.	Subject to AGM approval, PSAs will be granted under the terms of The Sage Group plc. Long-Term Incentive Plan (LTIP). Awards vest dependent upon the achievement of performance conditions measured over a period usually of at least three years. Following the end of the performance period, the performance conditions will be assessed and the percentage of awards that will vest will be determined. The Remuneration Committee may decide that the shares in respect of which an award vests will be subject to an additional holding period. A holding period will normally last for two years, unless the Remuneration Committee determines otherwise. The Remuneration Committee has discretion to decide whether and to what extent the performance conditions have been met and, in appropriate circumstances, to override the formulaic outcome, taking into account such factors as the performance of the Group, the experience of the stakeholders and windfall gains. If an event occurs that causes the Remuneration Committee to consider that an amended or substituted performance condition would be more appropriate and not materially less difficult to satisfy, the Remuneration Committee may amend or substitute any performance condition.	Awards vest on the following basis: • Threshold performance: 20% of the maximum shares awarded; • Exceptional performance: 100% of the shares awarded; and • The vesting schedule related to the levels of performance between threshold and exceptional, including whether or not this will include interim performance levels, will be determined by the Remuneration Committee on an annual basis and disclosed in the relevant Directors' Annual Remuneration Report for that year. Overall individual limit of 400% of base salary in respect of a financial year. Implementation for FY25 is outlined on page 123 of this Report.	Vesting will be subject to performance conditions as determined by the Remuneration Committee on an annual basis. The performance conditions will initially be underlying earnings per share (EPS), relative TSR, and ESG, although the Remuneration Committee will retain discretion to include additional or alternative performance measures which are aligned to the corporate strategy. At its discretion, the Remuneration Committee may elect to add additional underpin performance conditions. Details of the targets that will apply for awards granted in 2025 are set out in the Directors' Annual Remuneration Report.
All-employee share plans Provide an opportunity for Directors (as well as the general workforce) to voluntarily invest in the Company.	UK-based Executive Directors are entitled to participate in an HMRC-approved all-employee plan, The Save and Share Plan. Under this plan, they can make monthly savings over a period permitted by HMRC and which is currently three years linked to the grant of an option over Sage shares with an option price which can be at a discount set by HMRC which is currently set at a maximum of 20% of the market value of shares on grant. Options may be adjusted to reflect the impact of any variation of share capital. Overseas-based Executive Directors are entitled to participate in any similar all-employee scheme operated by Sage in their jurisdiction.	UK participation limits are those set by HMRC from time to time. Currently this is £500 per month (or foreign currency equivalent). Limits for participants in overseas schemes are determined in line with any local legislation.	None.

Alignment with strategy/purpose	Operation	Maximum opportunity	Performance measures
Chair and Non-executive Director fees Provide an appropriate reward to attract and retain high-calibre individuals. Non-executive Directors do not participate in any incentive scheme.	Fees are reviewed periodically. The fee structure is as follows: • The Chair is paid a single, consolidated fee; • The Non-executive Directors are paid a basic fee, plus fees for additional responsibilities or time commitments such as chairing (and, where appropriate, membership) of Board Committees and to the Senior Independent Director; and • Fees are currently paid in cash but the Company may choose to provide some of the fees in shares. Additional travel allowance payments may be made to the Chair and Non-executive Directors for time spent travelling internationally on Company business, for example to attend a Board meeting. Non-executive Directors may be eligible for benefits such as company car, use of secretarial support, healthcare or other benefits that may be appropriate including where travel to the Company's registered office is recognised as a taxable benefit in which case a Non-executive Director may receive the grossed-up costs of travel as a benefit.	Set at a level which: • Reflects the commitment and contribution that is expected from the Chair and Non-executive Directors; and • Is appropriately positioned against comparable roles in companies of a similar size, complexity, and international scope to Sage, in particular those within the FTSE 11-50 (excluding financial services companies). Overall fees paid to Directors will remain within the limit stated in our articles of association, currently £1.75m. Actual fee levels are disclosed in the Directors' Annual Remuneration Report for the relevant financial year.	None.
Shareholding guideline Aligns the interests of Executive Directors and shareholders and encourages a focus on long-term performance.	Whilst in employment, Executive Directors are expected to build up a shareholding worth 500% of salary in respect of the CEO and 350% of salary in respect of other Executive Directors over five years from the Director becoming subject to the guideline. The Remuneration Committee will review progress towards the guideline on an annual basis and has the discretion to adjust the guideline in what it feels are appropriate circumstances. Executive Directors are also expected to remain compliant with this guideline or, if lower, their actual shareholding at leaving for two years post-cessation of employment. Shares acquired by an Executive Director in their personal capacity at any time, or shares released to an Executive Director prior to 11 September 2019 are exempt from this guideline. The Committee retains discretion to amend or waive this guideline if it is not considered appropriate in the specific circumstances.		None.

Notes:
- Annual bonus and PSA performance measures and targets are selected each year so as to align with key financial and operational objectives.
- Awards granted under the deferred bonus plan and as a PSA may:
  a. Be made in the form of conditional awards or nil-cost options and may be settled in cash on vesting;
  b. Incorporate the right to receive an amount (in cash or shares) equal to the dividends which would have been paid or payable on the shares that vest in the period up to vesting / release (this amount may be calculated assuming the dividends were reinvested in the Company's shares on a cumulative basis); and
  c. Be adjusted in the event of any variation of the Company's share capital, demerger, delisting, special dividend, rights issue, or other event which may, in the opinion of the Remuneration Committee, affect the current or future value of the Company's shares, or as a result of a participant moving from one jurisdiction to another or becomes tax resident in a different jurisdiction, and, as a result, there may be adverse legal, regulatory, tax, or administrative consequences for the participant and/or a member of the Group in connection with an award.

Provisions to withhold (malus) or recover (clawback) sums paid under the annual bonus and PSA in the event of material negative circumstances, such as a material misstatement in the Company's audited results, serious reputational damage or significant financial loss to the Company (as a result of the participant's conduct), an error in assessing the performance metrics relating to the award, or the participant's gross misconduct are incorporated into the terms of the PSA, the annual bonus and the deferred bonus plan. These provisions may apply up to three years from the release date of a PSA or three years from the date a cash bonus is paid or a deferred share award is granted. Details of the proposed implementation of those provisions in the forthcoming year are set out in the Directors' Annual Remuneration Report.

All Directors submit themselves for re-election annually.

The Remuneration Committee intends to honour any commitments entered into with current or former Directors on their original terms, including outstanding incentive awards, which have been disclosed in previous remuneration reports and, where relevant, are consistent with a previous policy approved by shareholders. Any such payments to former Directors will be set out in the Remuneration Report as and when they occur.

The Remuneration Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out above, where the terms of the payment were agreed (i) before the Policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder-approved Remuneration Policy in force at the time they were agreed; or (ii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Remuneration Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes, "payments" includes the Remuneration Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" at the time the award is granted.

The Remuneration Committee may make minor amendments to the Policy (for regulatory, exchange control, tax, or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for that amendment.

Illustration of 2025 Policy

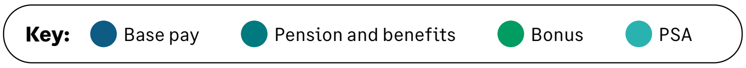
The charts on page 134 set out an illustration of the 2025 Policy and include base salary, pension, benefits, and incentives. The charts provide an illustration of the proportion of total remuneration made up of each component of pay and the total potential value available to the Directors under the Policy. The charts do not take into account dividends or, unless stated otherwise, share price appreciation.

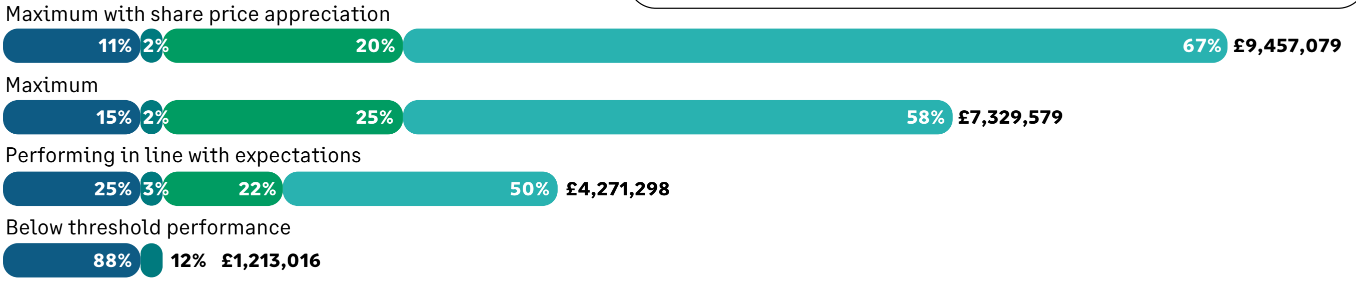
In these illustrative charts, salaries are those applying from 1 January 2025, pension provision is 10% of salary, and benefits have been estimated using the figure included in the 2024 single figure of remuneration.

For illustrating the potential value from incentives, four scenarios have been illustrated for each Executive Director, as explained in the table below:

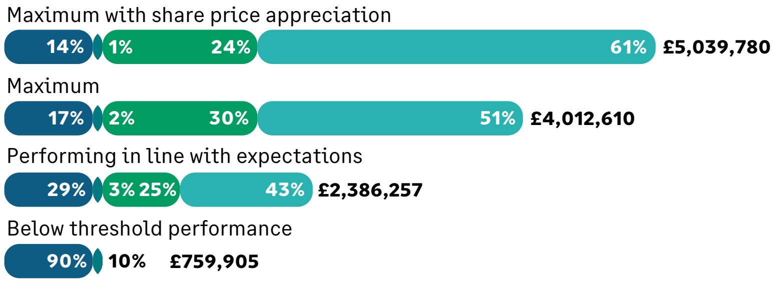
Scenario	Description of scenario
Below threshold performance	No bonus payout. No vesting of PSAs.
Performing in line with expectations	87.5% of salary payout in annual bonus (50% of maximum opportunity). PSA vested shares equivalent to 200% of salary for the CEO and 150% of salary for the CFO (50% of total shares available).
Maximum	175% of salary payout in annual bonus (100% of maximum opportunity). PSA vested shares equivalent to 400% of salary for the CEO and 300% of salary for the CFO (100% of total shares awarded).
Maximum with share price appreciation	Maximum scenario with the additional assumption of 50% share price appreciation during the PSA vesting period.

CEO Remuneration Policy illustration





CFO Remuneration Policy illustration



Development of our Policy

Consistency with remuneration for the wider Group

The Policy for our Executive Directors is designed in line with the remuneration philosophy and principles that underpin remuneration for the wider Group. The remuneration arrangements for employees below the main Board reflect the seniority of the role and local market practice, and therefore the components and levels of remuneration for different employees will differ from the Policy for executives as set out above.

Consideration of pay and conditions for the wider Group

The Remuneration Committee reviews annually the remuneration and related policies prevailing for the wider Group workforce, taking them into account when determining the Remuneration Policy and pay for the main Board Directors and the Executive Committee. In the course of setting the 2025 Policy, the Remuneration Committee discussed the alignment of remuneration and related policies with culture and strategy, the progress made in key initiatives to enhance such alignment during the year and priorities for FY25, and the alignment of pay and conditions for the wider Group workforce with executives. Colleagues were not consulted in the formulation of the 2025 Policy.

Communication with our shareholders

The Remuneration Committee is committed to an ongoing dialogue with shareholders and seeks the views of significant shareholders when any major changes are being made to remuneration arrangements. The Remuneration Committee takes into account the views of significant shareholders and shareholder representative bodies such as Institutional Shareholder Services, the Investment Association, and Glass Lewis, when formulating and implementing the Policy. A significant consultation process was undertaken with our largest shareholders and shareholder representative bodies ahead of the introduction of this revised Policy.

Recruitment remuneration arrangements

In the event of appointing a new Executive Director, the Remuneration Committee will seek to align the remuneration package with our Policy, which may include the elements outlined in the Policy table above. However, the Remuneration Committee retains the discretion in accordance with the relevant regulations to make appropriate remuneration decisions outside the standard policy to meet the individual circumstances of the appointment.

This may, for example, include the following circumstances:

- An interim appointment is made to fill an Executive Director role on a short-term basis.
- Exceptional circumstances require that the Chair or a Non-executive Director takes on an executive function on a short-term basis.
- An Executive Director is appointed at a time in the year when it would be inappropriate to provide a bonus or PSA for that year as there would not be sufficient time to assess performance. The quantum in respect of the months employed during the year may be transferred to the subsequent year so that reward is provided on a fair and appropriate basis.
- An executive is appointed from a business or location that offered some benefits that the Remuneration Committee might consider appropriate to buy out but that do not fall into the definition of "variable remuneration forfeited" that can be included in the buyout element under the wording of the regulations.

- The executive received benefits at their previous employer which the Remuneration Committee considers it appropriate to offer.
- The Remuneration Committee may alter the performance measures, performance period, and vesting period of the annual bonus or long-term incentive, subject to the rules of the plan, if the Remuneration Committee determines that the circumstances of the appointment merit such alteration. The rationale will be clearly explained in the relevant Directors' Remuneration Report.

In determining appropriate remuneration arrangements on appointing a new Executive Director, the Remuneration Committee will take into account relevant factors; these may include the calibre of the individual, local market practice, the existing remuneration arrangements for other executives, and the business circumstances. The Remuneration Committee seeks to ensure that arrangements are in the best interests of both Sage and its shareholders, and seeks not to pay more than is appropriate.

As a global technology business, Sage must compete in a highly competitive and international talent market. In order to ensure that we remain able to attract high-calibre global Director candidates for a potential future appointment, the Remuneration Committee would have flexibility to offer a new Executive Director, in their first year within the role only, an enhanced total long-term equity award of up to 650% of base salary (excluding buyouts). The Remuneration Committee would also have flexibility to grant equity awards to a new Executive Director, in their first year within the role only, in such combination of performance shares and restricted shares as is viewed appropriate (with restricted shares, if granted, being discounted by 50% in line with standard UK practice). Weighting of the total award would be up to a maximum of 50% restricted shares. Any use of either of these flexibilities would be fully detailed and explained in the relevant Directors' Annual Remuneration Report following the Director's appointment. The vesting period would be three years, plus a two year holding period regardless of type of award granted.

The Remuneration Committee may make awards on hiring an external candidate to buy out remuneration arrangements forfeited on leaving a previous employer. In doing so, the Remuneration Committee will take account of relevant factors, including any performance conditions attached to these awards, the form in which they were granted (e.g. cash or shares) and the timeframe of awards. The Remuneration Committee will generally seek to structure buyout awards on a comparable basis to awards forfeited, if appropriate in the circumstances.

In order to facilitate the variable pay opportunity and buyout awards mentioned above, the Remuneration Committee may rely on exemption in LR 9.3.2 of the Listing Rules, which allows for the grant of awards to facilitate, in exceptional circumstances, the recruitment of a Director.

Where an Executive Director is an internal promotion, the normal policy is that any legacy arrangements would be honoured in line with the original terms and conditions. Similarly, if an Executive Director is appointed following Sage's acquisition of or merger with another company, legacy terms and conditions would be honoured.

In the event of the appointment of a new Non-executive Director, remuneration arrangements will normally be in line with the structure set out in the Policy table for Non-executive Directors.

Change of control

The long-term equity plan rules provide that, in the event of a change of control, unvested awards would vest to the extent determined by the Remuneration Committee, taking into account the extent to which it determines the performance conditions have been satisfied (based on all factors it considers relevant) at the date of such event. The extent to which the Remuneration Committee allows awards to vest would also, unless it determines otherwise, take into account the period of time that has elapsed between the grant of the award and the date of the change of control as a proportion of three years (or such other period the Remuneration Committee considers to be appropriate). However, the Remuneration Committee may vary the level of vesting of awards if it believes that exceptional circumstances warrant this; awards that are subject to a holding period at the time of the change of control will be released at that time.

Awards granted under the deferred bonus plan will vest in full upon a change of control. Awards held under all-employee plans would be expected to vest on a change of control and those which have to meet specific requirements to benefit from permitted tax advantages would be treated in a manner consistent with those requirements.

Alternatively, the Directors may exchange their awards over Company shares for equivalent awards in shares of the acquiring company if the terms of the offer allow this.

If the Company is wound up or in the event of a demerger, delisting, special dividend, or other event which, in the Remuneration Committee's opinion, would materially affect the current or future value of the Company's shares, the Remuneration Committee may allow deferred shares and PSAs to vest and be released early on the same basis as for a change of control.

Executive Director service contracts

All current Executive Directors have service contracts, which may be terminated by the Company for breach by the executive or by giving 12 months' notice by the Company or the individual.

Service contacts for new Directors will generally be limited to 12 months' notice. However, the Remuneration Committee may agree a longer period, of up to 24 months initially, reducing by one month for every month served until it falls to 12 months.

Terms and conditions for Non-executive Directors

The appointment of the Non-executive Directors (including the Non-executive Chair) is for a fixed term of three years, during which period the appointment may be terminated by the Board on up to six months' notice. There are no provisions on payment for early termination in letters of appointment.

The letters of appointment of Non-executive Directors and service contracts of Executive Directors are available for inspection at the Company's registered office during normal business hours and will be available at the Annual General Meeting.

Payments to departing Directors

There are no pre-determined special provisions for Directors with regard to compensation in the event of loss of office; compensation is based on what would be earned by way of salary, pension entitlement and other contractual benefits over the notice period. In the event that a contract is to be terminated, and a payment in lieu of notice made, payments to the Executive Director may be staged over the notice period, at the same interval as salary would have been paid. If applicable, during that period the Executive Director must take all reasonable steps to obtain alternative employment and payments to the Executive Director by the Company will be reduced to reflect payments received in respect of that alternative employment.

The Remuneration Committee reserves the right to make any other payments in connection with a Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of a compromise or settlement of any claim arising in connection with the cessation of a Director's office or employment. Any such payments may include, but are not limited to, paying any fees for outplacement assistance and/or the Director's legal and/or professional advice fees in connection with his cessation of office or employment.

In some cases, a departing Director may receive a modest leaving gift.

There is no automatic entitlement to an annual bonus. Executive Directors may receive a bonus in respect of the financial year in which they cease employment with the Group. The payment of any annual bonus will be at the Remuneration Committee's discretion, based on the individual circumstances, and would usually be pro-rated for the period of service and may be paid entirely in cash.

In determining the level of bonus to be paid, the Remuneration Committee may, at its discretion, take into account performance up to the date of cessation or over the financial year as a whole, based on appropriate performance measures as determined by the Remuneration Committee. The treatment of leavers under our long-term incentive plans is determined by the rules of the relevant plans.

Deferred bonus plan

If an Executive Director ceases to hold office or employment within the Group during the vesting period of a deferred share award as a result of their death, their award will vest on the date of death. If the reason for their cessation of employment is injury, ill health, disability, or retirement, because their employing company or business is sold out of the Group, or in any other circumstances the Remuneration Committee determines, their award will vest on the normal vesting date unless the Remuneration Committee determines the award should vest following their cessation of office or employment. If the individual ceases to hold office or employment with a member of the Group in any other circumstances, any unvested deferred share awards they hold will lapse.

Performance share awards

If the Director ceases to hold office or employment within the Group during the performance period as a result of their death, their award will vest on the date of death. If the reason for their cessation of employment is ill health, injury, or disability, because their employing company or business is sold out of the Group, or in any other circumstances the Remuneration Committee determines, any unvested awards will vest (and any holding period will normally continue to apply, except on death) at the same time as if the individual had not left the Group, unless the Remuneration Committee determines the award should vest (and be released) earlier following their cessation of office or employment.

The extent to which awards vest in these circumstances will be determined by the Remuneration Committee, taking into account the extent to which the performance conditions have been satisfied at the end of the original performance period or following the Director's cessation of office or employment (as appropriate) and, unless the Remuneration Committee determines otherwise, the period of time that has elapsed between the grant of the award and the date of the cessation of office or employment as a proportion of three years (or such other period the Remuneration Committee considers to be appropriate). The Group malus and clawback policy will normally continue to apply unless the Remuneration Committee determines otherwise.

If the Executive Director leaves under any other circumstances, for example, due to termination for cause, any unvested PSAs they hold will lapse.

Where an Executive Director leaves whilst holding vested PSAs that are subject to a holding period, the holding period will normally continue to apply, unless the Remuneration Committee determines it should cease to apply following their cessation of employment. If, however, an Executive Director is summarily dismissed, any outstanding PSA awards they hold will be clawed back.

Directors' Annual Remuneration Report

Purpose of this section:

- Provides remuneration disclosures for Executive and Non-executive Directors.
- Details financial measures for the annual bonus plan and PSP.
- Illustrates Company performance and how this compares with the pay of Executive Directors.
- Outlines proposed implementation of the 2025 Policy for Executive and Non-executive Directors for 2025.

Single figure for total remuneration (audited information)

The following table sets out the single figure for total remuneration for Executive Directors for the financial years ended 30 September 2024 and 2023.

	(a) Salary/ fees[5] £'000		(b) Benefits[6] £'000		(c) Bonus[7] £'000		(d) PSP awards[8] £'000		(e) Pension[9] £'000		(f) Other[10] £'000		Total fixed remuneration[11] £'000		Total variable remuneration[12] £'000		Total[13] £'000	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023 (restated)	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023 (restated)	**2024**	2023 (restated)
Executive Directors																		
S Hare	**904**	833	**43**	65	**885**	993	**2,665**	2,379	**90**	83	**–**	5	**1,037**	981	**3,550**	3,377	**4,587**	4,358
J Howell	**599**	571	**7**	8	**626**	691	**1,463**	1,652	**52**	49	**–**	–	**658**	628	**2,089**	2,343	**2,747**	2,971
Non-executive Directors																		
A Duff	**415**	400	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**415**	400	**–**	–	**415**	400
S Anand	**73**	70	**16**	12	**–**	–	**–**	–	**–**	–	**–**	–	**89**	82	**–**	–	**89**	82
J Bates	**73**	70	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**73**	70	**–**	–	**73**	70
J Bewes	**96**	90	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**96**	90	**–**	–	**96**	90
M Chan Jones[1]	**73**	58	**18**	12	**–**	–	**–**	–	**–**	–	**–**	–	**91**	70	**–**	–	**91**	70
A Court[2]	**99**	90	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**99**	90	**–**	–	**99**	90
R Donnelly[3]	**83**	46	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**83**	46	**–**	–	**83**	46
D Hall[4]	**22**	87	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**22**	87	**–**	–	**22**	87
D Harding	**73**	70	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**73**	70	**–**	–	**73**	70

Notes:

1. Maggie Chan Jones was appointed as a Non-executive Director on 1 December 2022.
2. Annette Court was appointed as Senior Independent Director on 1 January 2024 and stepped down as Chair of the Remuneration Committee on 30 April 2024.
3. Roisin Donnelly was appointed as a Non-executive Director on 3 February 2023 and Chair of the Remuneration Committee on 1 May 2024.
4. Drummond Hall retired on 31 December 2023.
5. Details of salary progression since 2021 for the current Executive Directors are summarised in the "Statement of implementation of Remuneration Policy in the following financial year" on page 148 of this Report. Following a review of Non-executive Director fees, the Chair of the Board fee, the basic Non-executive Director fee, the Audit and Risk Chair additional fee, and the Remuneration Committee Chair additional fee were increased with effect from 1 January 2024; further details are provided on page 158 of the 2023 Annual Report and Accounts.
6. Benefits provided to the Executive Directors included: car benefits or cash equivalent (Steve Hare only), private medical insurance, permanent health insurance, life assurance, financial advice, and, where deemed to be a taxable benefit, the grossed-up costs of travel, accommodation, and subsistence for the Directors and their partners on Sage-related business if required. Benefits exclude items subject to tax where they are in the nature of business expenses. Sangeeta Anand and Maggie Chan Jones, who are based in the US, each received a £4,000 travel allowance fee for their attendance at each Board meeting, which required travel from the US (total of four meetings), commensurate to the travel time required for attendance in person. Maggie Chan Jones additionally received tax support.
7. Further information about how the level of FY24 bonus award was determined is provided in the additional disclosures below.
8. The 2024 PSP value for Steve Hare and Jonathan Howell is based on the PSP award granted in financial year 2022, which is due to vest in December 2024. The performance conditions applicable to the awards are outlined on page 142 of this Report. The value is based on the number of shares vesting under the 2022 PSP award multiplied by the average price of a Sage share between 1 July and 30 September 2024, which was £10.323, plus dividend equivalents accrued. For Steve Hare, £642,682 of the value is attributable to movement in the share price between grant and vesting, and for Jonathan Howell, £352,714 of the value is attributable to movement in the share price between grant and vesting. No discretion has been exercised by the Committee. Further detail is set out below in the notes to the table. The values of Steve Hare's and Jonathan Howell's 2021 PSPs for 2023 have been restated. The change in value is as a result of changes in the share price reported in 2023 in line with the methodology set out in the 2013 Reporting Regulations (£9.596) and the share price actually achieved at vesting (£11.300).
9. Pension emoluments for Steve Hare were equal to 10% of base salary and for Jonathan Howell were equal to 10% of base salary (less a deduction for Employer National Insurance Contributions). Both elected to receive them as a cash allowance. Maximum pension contribution levels for the wider workforce in the UK are 10% of salary, subject to contributions from the colleagues themselves.
10. Steve Hare's award under the Save and Share plan has been valued as the number of options multiplied by the difference on the grant date (16 June 2023) between the share price (at close on the day prior to grant) of £8.740 and the option price of £6.900. Further details are set out on page 160 of the 2023 Annual Report and Accounts.
11. Total fixed remuneration is inclusive of salary/fees, benefits, and pension.
12. Total variable remuneration is inclusive of bonus and PSP awards.
13. Total remuneration for Directors in 2024 was £8,375,000 compared with £8,334,000 in 2023 (updated from the 2023 Directors' Remuneration Report).

Additional disclosures for single figure for total remuneration table (audited information)

Annual bonus 2024

The bonus targets for FY24 were set with reference to the strategy for FY24, in particular the achievement of ARR growth and improving the customer experience, taking into account the Company's annual budget and historical performance in determining the payout curve.

Bonus measure	% weighting	Threshold performance	Target performance	Stretch performance	Actual performance (at budget foreign currency exchange rates)	% of maximum bonus payable
ARR growth	70%	9.0% (21% of bonus payable)	10.8% (35% of bonus payable)	13.5% (70% of bonus payable)	10.8%	35.0%
Customer experience scorecard	10%	The assessment of the customer experience scorecard is set out below this table (between 0% and 10% of bonus payable)				5.7%
Strategic measures	20%	The assessment of strategic measures is set out below this table (between 0% and 20% of bonus payable)				Steve Hare (CEO): 15.2% of maximum Jonathan Howell (CFO): 19.0% of maximum
Total						Steve Hare: 55.9% of maximum bonus (97.9% of salary) Jonathan Howell: 59.7% of maximum bonus (104.5% of salary)

Notes:
- Payment of a bonus for ARR growth was subject to the achievement of an underpin condition of Group UOP margin. Group UOP margin was 22.9%, which exceeded the underpin target of 18.5%.
- ARR growth and UOP margin are defined on pages 262 and 261, respectively. Actuals have been retranslated at budgeted foreign currency exchange rates consistent with the basis on which the targets were set. The Committee considered the movement of foreign currency exchange rates over the year, and determined that the effect was immaterial and that the use of like-for-like exchange rates was appropriate.
- One third of bonus is deferred into Sage shares for three years.

Customer experience scorecard (10% weighting)

A customer experience scorecard measuring "micromoments" (touchpoints in the customer journey which reflect the moments that matter the most to customers), "micromoments significantly improved" (the impact of customer experience improvements), and transactional Net Promoter Score (tNPS) was set by the Committee at the beginning of the financial year. Whilst tNPS remains a key measure of customer experience, in order to deliver on our stakeholder promise to customers that "we build every experience with human insight and ingenuity", the scorecard focuses on multiple touchpoints in the customer journey, and improvements to these moments in addition to tNPS. tNPS is a lead measure of our customers' sentiments providing rich customer insight.

The experiences we deliver for customers will continually evolve as we strive to deliver on our brand promise that puts customers at the heart of everything we do, helping businesses thrive and flow. During FY24, a number of improvements have been delivered enabling customers to focus on what matters the most to them. Customer experience targets were set at a Group level and are regarded as commercially sensitive by the Board. Details of the achievements that were considered by the Committee in coming to its assessment of this measure are set out below. The Committee gave consideration to both the number of new 'micromoments' implemented and the impact of customer experience improvements in driving successful outcomes for the business measured through 'micromoments significantly improved'. The overall outcome therefore reflects an element of judgement by the Remuneration Committee, rather than a purely mechanistic target-driven approach.

	Measure	Performance commentary
1	Identification and implementation of new micromoments across the business, to focus on the occasions or touchpoints in the customer journey that are meaningful to the customer, both in and out of the product.	Continuing to identify and set up critical micromoments is crucial; this highlights areas where further customer insight can be gathered to improve future customer experience. Work has been undertaken throughout FY24 to implement new micromoments across the business. A key example is the Sage Active sales feature launch; including a micromoment alongside the launch enabled customer insight to be gathered from early adopters and provides continued customer feedback for ongoing feature development, supporting the expansion of Sage Active in Europe. Overall this target was met.
2	Micromoments significantly improved; this demonstrates the impact of customer experience improvements across the micromoments previously delivered.	Micromoments previously delivered have provided the business with new insight into priority areas for customer experience. Throughout the financial year, customer experience improvements have been made and the impact of these for the customer and the business measured. As an example, within Sage for Accountants enhancements have been made including a refreshed user experience (UX) of final accounts. This has reduced errors by applying additional validations, and as a result, reduced the need for customer support. Additionally, mappings have been automated when importing data from a previous product, significantly reducing the task time. Feature usage has increased, highlighting that the improvements made are benefiting customers. Headroom remains for further improvements; this target was partially met.
3	tNPS is a lead indicator of customer experience and gives immediate insight to a customer's experience following a specific customer touchpoint. Measurement of tNPS across the Company to understand customers' feedback and generate improvement opportunities.	tNPS has been a focus across the business in FY24. Year-on-year improvements have been achieved in five business units. These have been achieved through focus on improving access and first contact resolution for customers, coupled with intensive coaching to elevate performance of customer service colleagues. Technology has been optimised to improve chat, knowledge, and case management. Accordingly, this target was met.

In consideration of these factors and the overall experience for our customers, the Committee determined that a bonus of 5.7% of the maximum 10% for this element was an appropriate award.

Executive Directors' strategic goals (20% weighting)

Executive Directors' strategic goals were set by the Committee at the beginning of the financial year, consistent with the key deliverables within the annual budget. Targets for strategic goals are considered to be commercially sensitive and are not disclosed. However, details of performance achievements that were taken into account by the Committee in coming to its assessment of this measure are set out below.

Steve Hare, CEO

Steve Hare was set a range of strategic goals linked to the execution of the 2024 budget and long-term strategy plan. These were:

- Execute in FY24 (40% weighting);
- Create three-year vision and strategy (20% weighting);
- External relations (20% weighting); and
- Make Sage iconic (20% weighting).

Personal strategic objectives

The Committee took into account the following performance against those goals:

Execute in FY24: Progress our scale and growth ambition, ensuring execution against FY24 budget and financial plan, and organisational Objectives and Key Results to drive desired outcomes.

Continued progress towards achieving the rule of 40 with sustained double digit ARR growth and increasing margin. Revenue growth broadly in line with market expectations and operating margin of 22.7%, ahead of market expectations. Sage for Small Business and Sage for Accountants suite propositions launched in the UK and Canada, in addition to Sage for Accountants in France. Optimisation work and in-market experimentation underway. Further significant opportunities exist to grow market share. The structure of the ELT has been revised to create clarity of accountability and simplify the commercial flow of the business. On balance, this target was partially met.

Create three-year vision and strategy: Develop a three-year vision and strategy for Sage that accelerates our ambition and establishes Sage as the Number One Trusted Network for SMBs.

Successful revision of Sage's strategic framework for FY25 and beyond. Announced strategic partnerships with AWS and Sportable, continued to deepen strategic partnerships with PwC, Microsoft, and Stripe. Establishment of the Routes to Revenue (RTR) function enabled greater clarity of revenue plans, creating improved cross-function alignment. A new strategic execution dashboard to measure attainment of strategic OKRs throughout FY25 has been developed. Overall, the targets were met.

External relations: Lead the increased visibility, profile, and impact of Sage, via external relations, in our chosen markets.

In the UK, Sage has secured influential cross-party engagement. E-invoicing is a key policy which the CEO has supported. In the US, the CEO has continued to strengthen our relationships with Georgia-based federal and state level senators. The Pathways to Success training programme has been completed with BOSS and Swoop, training 150 Black women founders. Sage has also influenced European Union draft standards for SMEs to implement CSRD. Standout coverage with target trade media of Sage's Transform event during which Sage's generative AI finance assistant, Sage Copilot, was launched; led to Sage getting 61% share of voice on Artificial Intelligence. Overall in FY24, Sage secured 43% growth in coverage from the top 20 target media outlets in each region. Targets were exceeded.

Make Sage iconic: Elevate the Sage Brand and reputation such that it is iconic in the minds of our stakeholders and the market at large.

eSAT and Glassdoor score maintained at 76 and 4.0, respectively. The CEO personally spent 47.5 hours with customers and partners in FY24 and undertook 36 hours of society work across volunteering and ESG/sustainability. In FY24 alone, colleagues raised USD644,858 for non-profit organisations, bringing the total funds raised over the last three years to USD2,466,690, contributing to the longer-term goal to reach USD5m by 2030. The Sage share price has experienced some volatility across the year, mirroring wider market volatility. Overall, the targets were exceeded.

In consideration of these factors and the overall performance of the business, the Committee determined that a bonus of 15.2% of the maximum 20% for this element was an appropriate award.

Jonathan Howell, CFO

Jonathan Howell was set a range of strategic goals linked to the execution of the 2024 budget and long-term strategy plan. These were:

- Scalable and efficient financial operations (25% weighting);
- Enhance shareholder value (25% weighting);
- Robust financial fundamentals (25% weighting); and
- A diverse team of empowered finance professionals (25% weighting).

Personal strategic objectives

The Committee took into account the following performance against those goals:

Scalable and efficient financial operations: Continue to build a futureproof and scalable finance structure, championing automation and ensuring readiness for corporate reform.

Effective and efficient delivery of year end and half-year reporting processes. Strong finance partnership across the business, using data and insights to help drive commercial outcomes. Continued focus on driving automation across Finance Shared Services Centres. Successful launch of the Commercial Finance PowerBI reporting tool with self-reporting/analytics for all business users. Good progress made on adoption of updates to UK Corporate Governance Code to ensure readiness by FY27. Overall, the targets set were met.

Enhance shareholder value: Maintain a strong and supportive relationship with shareholders, underpinned by clear communication and guidance.

Consistent, high-quality communication with shareholders delivered throughout the year, with accurate refinement of guidance at the interim results. Successfully implemented simplified external revenue disclosures. Accelerated dividend growth to 6%. Completion of £345m share buyback in April. Strong engagement with investors and analysts, including at five investor roadshows. These targets were exceeded.

Robust financial fundamentals: Ensure absolute accuracy and maintain strong financial foundations for growth.

Achieved FY24 operating margin of 22.7%, demonstrating effective cost management. Balance sheet funding, liquidity, and leverage well managed and in line with Policy. Achieved strong cash conversion of 123%. Credit rating maintained at BBB+. A high-quality and effective three-year plan and FY25 Budget process was successfully undertaken. Overall, the targets were exceeded.

A diverse team of empowered finance professionals: Nurture a high-performance culture whilst building out a diverse pool of talent from within.

Strong accountability, execution, and leadership across the Finance team and wider organisation. High-quality internal succession and development opportunities throughout Finance, including global mobility, training programmes, and early careers. eSAT of 78 is ahead of the Company average. The targets set have been exceeded.

In consideration of these factors and the overall performance of the business, the Committee determined that a bonus of 19% of the maximum 20% for this element was an appropriate award.

PSP awards

Awards granted under the PSP to Steve Hare and Jonathan Howell in February 2022 vest depending on performance against four measures, measured over three years, from 1 October 2021 to 30 September 2024:

- 55% Sage Business Cloud penetration (with underpins for ROCE, absolute organic revenue growth, and cloud native penetration).
- 30% relative TSR performance against the FTSE 100 (excluding financial services and extracting companies).
- 7.5% ESG—delivering impact in society (3.75% of award determined by number of volunteering hours and 3.75% of award determined by number of individuals supported).
- 7.5% ESG—ESG strategy impact.

For each measure, three levels of performance are defined below: target, stretch, and exceptional.

Measure	Between threshold (20% vests) and stretch (80% vests)	Between stretch (80% vests) and exceptional (100% vests)
Sage Business Cloud Penetration	Between 75.0% and 80.0% (with ROCE of 12%, absolute organic revenue growth >0%, and cloud native penetration of 25%)	Between 80.0% and 85.0% (or above) (with ROCE of 12%, absolute organic revenue growth >0%, and cloud native penetration of 25%)
Relative TSR	Between median and upper quartile	Between upper quartile and upper decile (or above)
ESG—delivering impact in society: number of Sage Foundation ecosystem volunteering hours	Between 400,000 and 500,000 volunteering hours	Between 500,000 and 600,000 volunteering hours
ESG—delivering impact in society: number of individuals supported through Sustainability and Society strategy	Between 22,000 and 27,000 individuals supported	Between 27,000 and 32,000 (or above) individuals supported
ESG—strategy impact:[1, 2] achieving certified verification of ESG process effectiveness and performance impact	Achieving GRI Core and full SASB[3] alignment (threshold), and achieving GRI Comprehensive and full SASB alignment (stretch)	Achieving GRI Comprehensive and full SASB alignment (stretch), and achieving GRI Comprehensive and full SASB alignment, and top 10% ranking in at least three ESG rating schemes (exceptional)

Notes:
1. Global Reporting Initiative (GRI) updated its standards during the performance period on 1 January 2023 from GRI 2016 standard to GRI 2021 standards. Consequently, at the end of the performance period GRI Core and GRI Comprehensive (part of the GRI 2016 Standards) no longer exist. An assessment has been undertaken to review the requirements of the GRI 2021 Standards, and the Committee is satisfied that reporting "in accordance with" is no less materially difficult to achieve than GRI Comprehensive.
2. ESG rating schemes in which Sage participates assess the performance using both ratings and rankings. The Committee is satisfied that, where ratings are used as opposed to rankings, Sage obtaining the highest possible rating is viewed as a leading position and therefore the equivalent of "top 10% ranking".
3. Sustainability Accounting Standards Board (SASB).

The calculated vesting outcome of the award is detailed below.

Measure	Achieved	Vesting
Sage Business Cloud Penetration	87.7%	55.0%
Relative TSR	82nd percentile	26.8%
ESG—delivering impact in society: number of Sage Foundation ecosystem volunteering hours[1]	455,560	2.0%
ESG—delivering impact in society: number of individuals supported through Sustainability and Society strategy[2]	71,181	3.8%
ESG—strategy impact: achieving certified verification of ESG process effectiveness and performance impact[3]	GRI "in accordance with" achieved and full alignment with SASB achieved Top 10% ranking in three rating schemes: Morgan Stanley Capital International (MSCI): rating AAA Carbon Disclosure Project (CDP): rating Leadership (A-) EcoVadis: rating Gold (top 5%)	7.5%
Total		**95.1%**

Notes:
1. An Agreed Upon Procedure (AUP) on the Sage Foundation hours has been carried out by a third party.
2. An AUP on the individuals supported has been carried out by a third party.
3. A third party has undertaken a review of alignment with GRI 2021 Standards and Bureau Veritas conducted an external review of Sage's 2024 SASB index table to be included in the Sage ESG Databook 2024 and concluded that this disclosure is in alignment with the "SASB standard for Software & IT services Industry and its Application Guidance". ESG ratings and rankings are provided by a third party (the rating scheme providers), therefore no additional assurance is required to confirm the ratings.

Over the performance period, the ROCE was 21.3% (compared with the underpin of 12%), absolute organic revenue growth was 28.0% (compared with the underpin of positive growth), and cloud native penetration was 34.1% (compared with the underpin of 25%), meaning that the underpin conditions were achieved.

The Committee determined, after careful consideration of business performance and the interests of Sage's stakeholders such as shareholders, customers, and colleagues, that the calculated outcome was appropriate. Consequently, 95.1% of the total award will vest.

The Committee noted that it had satisfied itself at the time of grant that there was no issue of windfall gains in respect of this award. This conclusion had been reached following analysis of the number of share granted in previous awards to the CEO. Consequently, the Committee was satisfied that no further adjustment was required in this respect at the time of vesting.

Awards are scheduled to vest on 2 December 2024, and for both Executive Directors will be subject to a two-year holding period and released on 2 December 2026.

PSP awards granted in FY24 (audited information)

Awards were granted under the PSP on 1 February 2024 for the CEO and 4 December 2023 for the CFO at a market value of £11.490 per share in the form of conditional share awards. In alignment with our business strategy for FY24, performance conditions for awards granted in FY24 are:[1]

Underlying EPS
50%
of award

Underpins met:

ROCE of 12.0% per annum

Yes / No

EPS in FY26:

- Less than 37.0p = 0% of award vests
- 37.0p = 10% of award vests
- 43.0p = 40% of award vests
- 46.0p = 50% of award vests

This portion of the award does not vest

TSR
30%
of award

TSR percentile ranking:

- Below median = 0% of award vests
- Median = 6% of award vests
- Upper quartile = 24% of award vests
- Upper decile = 30% of award vests

ESG
20%
of award

Protect the Planet
7.5%
of award

Reduction in Scope 1, 2, and 3 carbon emissions:*

- Below 8.1% = 0% of award vests
- 8.1% = 1.5% of award vests
- 16.2% = 6% of award vests
- 24.3% = 7.5% of award vests

* Reduction between FY23 and FY26.

Tech for Good
5%
of award

Access to carbon accounting functionality via Sage suites:*

- Enabling access to carbon accounting functionality via Sage for Small Business suite = 1% of award vests
- Enabling access to carbon accounting functionality via Sage for Small Business suite and Sage for Accountants suite = 4% of award vests
- Enabling access to carbon accounting functionality via Sage for Small Business suite, Sage for Accountants suite and Sage for Medium Business suite = 5% of award vests

* Performance assessed at the end of FY26.

Diversity, equity, and inclusion
7.5%
of award

% of ethnically diverse colleagues in senior leadership teams (3.75% of award):*

- Below 13.0% = 0% of award vests
- 13.0% = 0.75% of award vests
- 16.5% = 3% of award vests
- 20.0% = 3.75% of award vests

* Assessed at the end of FY26.

Percentage of leadership teams in the top four levels of Sage meeting our global gender diversity target (3.75% of award):

(namely comprising no more than 60% of any one gender):*

- Below 50% = 0% of award vests
- 50% = 0.75% of award vests
- 65% = 3% of award vests
- 80% = 3.75% of award vests

* Assessed at the end of FY26.

1. Context for the PSP measures selected for FY24 was provided on page 156 of the 2023 Annual Report and Accounts.

Vesting is on a straight-line basis between the points. The following key areas are highlighted in relation to the performance measures:

- 50% of the awards being determined by EPS aligns with our growth strategy.
- Continued focus on overall Group growth and delivery of shareholder value is achieved by:
  - Requiring the achievement of a ROCE underpin of 12.0% p.a. The Committee will exclude from the ROCE calculation, where appropriate, any write down that arises from an asset that was acquired prior to the appointment of the current Executive Directors.
- 20% of the awards being determined by an ESG basket of measures aligns to our Sustainability and Society strategy.
- 30% of the awards being determined by relative TSR performance provides shareholder alignment.

Awards will vest, subject to satisfaction of those performance conditions, in December 2026. A holding period for the PSPs will apply for two years from the vesting date. No further performance conditions attach to the awards during the holding period.

	Type of award	Maximum number of shares	Face value (£)[1]	Face value (% of salary)	Threshold vesting (% of award)	End of performance period
Steve Hare	Performance shares	241,514	2,775,000	300%	20%	30 September 2026
Jonathan Howell	Performance shares	118,668	1,363,500	225%	20%	30 September 2026

Note:
1. The face value of the PSP awards has been calculated using the market value (middle market quotation) of a Sage share on 1 December 2023 (the trading day prior to the grant for all eligible colleagues) of £11.490.

Change in remuneration of Directors compared with colleagues

The table below shows the annual percentage change in total remuneration of Directors with colleagues employed by The Sage Group plc. who are not also Directors of the Group.

	% change 2023/2024			% change 2022/2023			% change 2021/2022			% change 2020/2021			% change 2019/2020		
	Salary/ fees[1]	Taxable benefits[2]	Annual incentive[3]	Salary/ fees[1]	Taxable benefits[2]	Annual incentive[3]	Salary/ fees[1]	Taxable benefits[2]	Annual incentive[3]	Salary/ fees[1]	Taxable benefits[2]	Annual incentive[3]	Salary/ fees[1]	Taxable benefits[2]	Annual incentive[3]
Executive Directors															
S Hare	**8.5%**	**(33.7)%**	**(10.9)%**	3.8%	48.3%	(19.7%)	2.3%	3.8%	49.5%	0.5%	(65%)	229%	2%	14%	(80%)
J Howell	**4.8%**	**(11.8)%**	**(9.5)%**	3.3%	7.7%	(19.4%)	1.4%	36.3%	47.4%	0.5%	(6%)	223%	25%	37%	(75%)
Non-executive Directors															
A Duff[4]	**3.8%**	**–%**	**–%**	–%	–%	–%	1,500%	–	–	–	–	–	–	–	–
S Anand[5]	**3.8%**	**33.3%**	**–%**	10.5%	200.0%	–%	5.6%	–	–	140%	–	–	–	–	–
J Bates	**3.8%**	**–%**	**–%**	10.5%	–%	–%	5.6%	–	–	0%	–	–	197%	–	–
J Bewes	**7.1%**	**–%**	**–%**	10.7%	–%	–%	5.6%	–	–	0%	–	–	100%	–	–
M Chan Jones[6]	**24.5%**	**51.5%**	**–%**	–%	–%	–%	–	–	–	–	–	–	–	–	–
A Court[7]	**9.7%**	**–%**	**–%**	10.7%	–%	–%	5.6%	–	–	0%	–	–	100%	–	–
R Donnelly[8]	**80.2%**	**–%**	**–%**	–%	–%	–%	–	–	–	–	–	–	–	–	–
D Hall[9]	**(75.0)%**	**–%**	**–%**	8.3%	–%	–%	4.3%	–	–	0%	–	–	(6%)	–	–
D Harding[10]	**3.8%**	**–%**	**–%**	10.5%	–%	–%	82.1%	–	–	–	–	–	–	–	–
Colleagues of the Company	**7.1%**	**3.9%**	**3.7%**	4.1%	2.4%	24.4%	4.2%	13.8%	(8.7%)	5%	29%	6%	9%	37%	(10%)

Notes:
- The change in fees for the Non-executive Directors is reflective of their start dates.
- The change in the Non-executive Directors' fees for 2021/2022 and 2022/2023 is due to the increase in the basic Non-executive Director fee, the Audit and Risk Committee Chair additional fee, and the Remuneration Committee Chair additional fee that took effect from 1 June 2022. Further information can be found on page 176 of the 2022 Annual Report and Accounts.
- The change in the Non-executive Directors' fees for 2023/2024 is due to the increase in the basic Non-executive Director fee, the Audit and Risk Committee Chair additional fee, the Remuneration Committee Chair additional fee, and the Chair of the Board's fee that took effect from 1 January 2024. Further information can be found on page 158 of the 2023 Annual Report and Accounts.

1. Average colleague pay is based on the dataset used for the CEO pay ratio as set out immediately following this section. It excludes colleagues that joined within the reporting period, as the dataset for the Company is so small that to leave them in provides a skewed result, making meaningful judgements difficult. The salary, taxable benefits, and annual incentive are the respective median values in the dataset and may relate to different incumbents. Salaries and fees for Directors for 2024 are as set out on page 137 of this Report.
2. Steve Hare's and Jonathan Howell's taxable benefits for 2024 are as set out on page 137 of this Report. Taxable benefits for colleagues employed by The Sage Group plc. are based on the dataset used for the CEO pay ratio as set out immediately following this section.
3. The annual incentive values for Steve Hare and Jonathan Howell for 2024 are as set out on page 137 of this Report. Annual incentives for colleagues employed by The Sage Group plc. are inclusive of bonus and commission and are based on the dataset used for the CEO pay ratio as set out immediately following this section. Non-executive Directors are not eligible for annual incentives.

4. Andrew Duff was appointed as a Non-executive Director on 1 May 2021 and accordingly no comparison prior to 2021/2022 can be drawn. The significant change in his fee for 2021/2022 is due to his fee being pro-rated in 2021 to his start date of 1 May 2021 and his change in role from Non-executive Director to Chair of the Sage Board with effect from 1 October 2021.
5. The significant change in Sangeeta Anand and Maggie Chan Jones's taxable benefits reflects the travel allowance they both received for attending four Board meetings during FY24 as set out on page 137 of this Report. Maggie Chan Jones additionally received tax support assistance in FY24, as disclosed on page 137 of this Report.
6. Maggie Chan Jones was appointed as a Non-executive Director on 1 December 2022 and accordingly no comparison to prior years can be drawn.
7. Annette Court was appointed Senior Independent Director on 1 January 2024 and stepped down as Chair of the Remuneration Committee on 30 April 2024, resulting in a change of fees for 2023/2024.
8. Roisin Donnelly was appointed as a Non-executive Director on 3 February 2023 and accordingly no comparison to prior years can be drawn. The change in her fee for 2023/2024 is due to her fee being pro-rated in 2023 to her start date of 3 February 2023 and her appointment as Chair of the Remuneration Committee on 1 May 2024.
9. Drummond Hall retired on 31 December 2023.
10. Derek Harding was appointed as a Non-executive Director on 2 March 2021 and accordingly no comparison prior to 2021/2022 can be drawn. The significant change in his fee for 2021/2022 is due to his fee being pro-rated in 2021 to his start date of 2 March 2021.

Ratio of the pay of the CEO to that of the UK lower quartile, median, and upper quartile colleagues

The table below shows the ratio of the pay of the CEO to that of the UK lower quartile, median, and upper quartile colleagues in 2024, consistent with the Companies (Miscellaneous Reporting) Regulations 2018. As outlined in the Remuneration Committee Chair's letter, the treatment of colleagues has provided important context for the Committee's decisions on executive remuneration in 2024 and the Committee is consequently satisfied that the median pay ratio for 2024 is consistent with the pay and progression policies for Sage's UK employees as a whole.

		Pay ratio				Remuneration values		
Year	Method	25th percentile (lower quartile)	50th percentile (median)	75th percentile (upper quartile)		Y25 (25th percentile)	Y50 (50th percentile)	Y75 (75th percentile)
2024	A	108 : 1	73 : 1	48 : 1	Total remuneration	£42,631	£63,037	£95,481
					Salary only	£33,201	£51,500	£76,347
2023	A	101 : 1	68 : 1	46 : 1	Total remuneration	£39,536	£58,417	£87,553
					Salary only	£32,073	£47,669	£57,887
2022	A	65 : 1	43 : 1	29 : 1	Total remuneration	£38,056	£57,421	£85,380
					Salary only	£32,122	£41,945	£48,854
2021	A	70 : 1	46 : 1	31 : 1	Total remuneration	£34,807	£53,304	£79,739
					Salary only	£29,700	£42,103	£79,091
2020	A	55 : 1	36 : 1	23 : 1	Total remuneration	£29,865	£45,942	£71,524
					Salary only	£27,955	£36,116	£56,983
2019	A	95 : 1	62 : 1	38 : 1	Total remuneration	£26,463	£40,385	£66,095
					Salary only	£20,281	£34,184	£51,087

The year-on-year change in the pay ratio is largely driven by variation in business performance-related pay outcomes, such as the PSP and annual bonus. As the CEO has a larger proportion of his total remuneration linked to business performance than other colleagues based in the UK, the ratio has increased compared with last year due to a higher performance outcome for the FY22 PSP vesting on 2 December 2024, as set out on page 143 of this Report, compared with the FY21 PSP which vested on 2 December 2023 and is included in the 2023 ratio. There has also been significant share price appreciation since the grant of the FY22 award as detailed on page 137 of this Report. Combined, these two factors diminish the impact of a lower bonus outcome this year and result in a higher value used for the CEO's remuneration.

Notes:

- Under method A, colleague data is based on full-time equivalent pay for UK colleagues as at 30 September 2024. Pay for each colleague is calculated in accordance with the single figure for remuneration. All components of remuneration except long-term incentives are presented on a full-time equivalent basis by dividing sums by the average working hours divided by full-time equivalent hours for the portion of the year worked. Colleagues who worked no hours during the year are excluded from the dataset.
- Method A has been selected as the basis of the disclosure as it is the best reflection of the underlying colleague data required by the Companies (Miscellaneous Reporting) Regulations 2018.
- Certain benefits have been omitted from the remuneration of colleagues except the CEO. These principally comprise sums paid by way of expenses allowance chargeable to UK income tax and not paid through the payroll. Such expenses are typically irregular and generally immaterial to remuneration and are excluded to enable more meaningful comparison of the ratio of underlying colleague remuneration over time.
- The CEO's pay is based on the single figure for remuneration set out on page 137 of this Report. Because a large portion of the CEO's pay is variable, the pay ratio is heavily dependent on the outcomes of variable pay plans and, in the case of long-term share-based awards, share price movements. Further information on these outcomes for the CEO in FY24 is set out on pages 138 to 143 of this Report.

Historical executive pay and Company performance

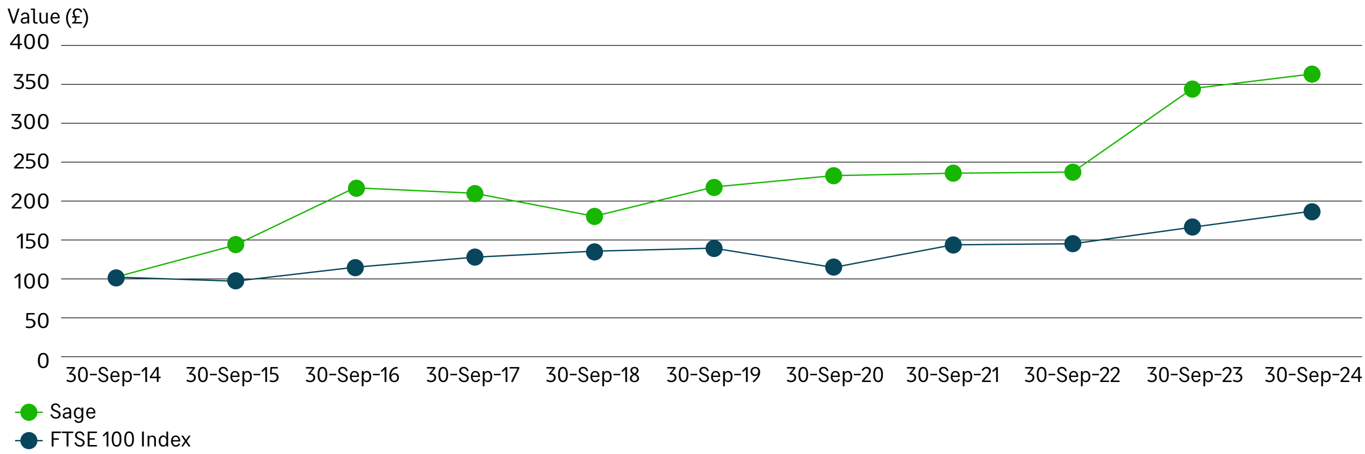
The table below summarises the Chief Executive Officer's single figure for total remuneration, annual bonus payout, and PSP vesting as a percentage of maximum opportunity for the current year and previous nine years.

	CEO	2015	2016	2017	2018	2019	2020	2021	2022	2023	**2024**
CEO single figure for remuneration (in £'000)	Steve Hare[1]	–	–	–	98	2,495	1,557	2,507	2,524	4,358	**4,587**
	Stephen Kelly[2]	1,521	1,723	3,547	1,690	–	–	–	–	–	
	Guy Berruyer[3]	108	–	–	–	–	–	–	–	–	
Annual bonus payout (as % maximum opportunity)	Steve Hare	–	–	–	0%[4]	94%	18%	60%	88%	68%	**56%**
	Stephen Kelly	67%	69%	19%	0%	–	–	–			
	Guy Berruyer	0%	–	–	–	–	–	–	–	–	
PSP vesting (as % of maximum opportunity)	Steve Hare	–	–	–	29%	15%	27%	34%	20%	73%	**95%**
	Stephen Kelly	–	–	66%	29%	–	–	–	–	–	
	Guy Berruyer	64%	–	–	–	–	–	–	–	–	

Notes:
1. Steve Hare was appointed Interim COO and CFO on 31 August 2018. Whilst Steve Hare's job title at 30 September 2018 was Interim COO and CFO, not CEO, he is regarded as being the equivalent of CEO for the purposes of the disclosure.
2. Stephen Kelly stepped down from the position of CEO on 31 August 2018.
3. Guy Berruyer stepped down from the position of CEO on 5 November 2014.
4. Steve Hare waived his entitlement to a bonus in respect of 2018.

Historical Group performance against FTSE 100

The graph below shows the TSR of the Group and the FTSE 100 over the last 10 years. The FTSE 100 Index is the index against which the TSR of the Group should be measured because of the comparable size of the companies which comprise that index.



Note:
- This graph shows the value, by 30 September 2024, of £100 invested in The Sage Group plc. on 30 September 2014 compared with the value of £100 invested in the FTSE 100 Index. The other points plotted are the values at intervening financial year ends.

Payments to past Directors (audited information)

No payments were made to past Directors during FY24.

Payments for loss of office (audited information)

No payments were made for loss of office during FY24.

Relative importance of spend on pay

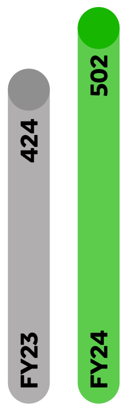
The charts below show the all-employee pay cost (as stated in the notes to the Group financial statements), profit before tax (PBT), and returns to shareholders by way of dividends and share buybacks for 2023 and 2024.

The information shown in this chart is based on the following:

- Underlying PBT (underlying as reported)—Underlying profit before income tax taken from note 3.6 on page 199. Underlying PBT has been chosen as a measure of our operational profitability.
- Returns to shareholders—Total dividends taken from note 14.4 on page 245; value of shares purchased during the year taken from consolidated statement of changes in equity on pages 178 and 179.
- Total colleague pay—Total staff costs from note 3.3 on page 195, including wages and salaries, social security costs, pension, and share-based payments.

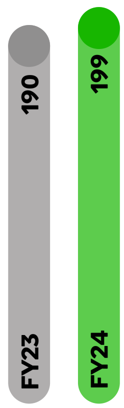
Underlying PBT (Underlying as reported in £m)

+£78m



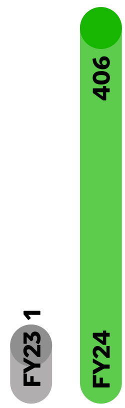
Dividends paid to shareholders (£m) Total dividends

+£9m



Value of shares purchased during the year

+£405m



Total colleague pay (£m)

-£8m

Statement of implementation of Remuneration Policy in the following financial year

This section provides an overview of how the Committee is proposing to implement the Policy in FY25, pending shareholder approval at the 2025 AGM.

Base salary

An annual salary review was carried out by the Committee as part of the Policy review process, as outlined on pages 117 to 123 of this Report. Following that review, the Committee approved the following:

	Salary 1 January 2025	Salary 1 January 2024	Salary 1 January 2023	Salary 1 January 2022	Salary 1 January 2021
Steve Hare	£1,063,750 (15.0% increase)	£925,000 (9.9% increase)	£841,500 (4% increase)	£809,000 (3% increase)	£785,000 (no increase)
Jonathan Howell	£684,780 (13.0% increase)	£606,000 (5% increase)	£577,000 (4% increase)	£555,000 (1.8% increase)	£545,000 (1.9% increase)

The equivalent average increase for colleagues eligible for an annual pay award is 4% (in respect of colleagues based in the UK).

Pension and benefits

The CEO and the CFO will continue to receive a pension provision worth 10% of salary, as a contribution to a defined contribution plan and/or as a cash allowance. The pension for the wider workforce is 10% of salary. Executive Directors will also receive a standard package of other benefits and, where deemed necessary, the costs of travel, accommodation, and subsistence for the Directors and their partners on Sage-related business, consistent with that in FY24.

Annual bonus

Key features of the Executive Directors' annual bonus plan for FY25, pending shareholder approval of the 2025 Policy at the 2025 AGM are as follows:

- The maximum annual bonus potential is 175% of salary.
- One third of any bonus earned will be deferred into shares for three years under the Deferred Bonus Plan, unless a Director is compliant with their enhanced shareholding guideline. If already compliant, the deferral requirement will be reduced to 15% of the bonus earned.
- Annual bonuses awarded in respect of performance in FY25 will be subject to potential withholding (malus) or recovery (clawback) if specified trigger events occur within three years of the payment/award of the annual bonus. Trigger events will include a material misstatement of the audited results, error in calculation of the bonus payout, serious reputational damage, or significant financial loss as a result of an individual's conduct or gross misconduct which could have warranted an individual's summary dismissal.

The annual bonus for FY25 for Executive Directors will be determined as detailed below:

As a percentage of maximum bonus opportunity:

Measure[1]	
Total revenue growth[2]	70%
Customer-related measure inclusive of Net Promoter Score	10%
Strategic goals	20%

Notes:
1. Executives' incentives for FY25 will be measured on an underlying basis. This will apply to the total revenue growth and the UOP margin underpin in the annual bonus. The Remuneration Committee will review on a case-by-case basis the impact on underlying measures of significant acquisitions and disposals and judge whether to adjust incentive targets or outcomes.
2. Payout is dependent upon the satisfaction of the underpin condition of UOP margin.

The selection of measures and targets takes into account the Company's strategic priorities, its internal budgeting, and, where relevant, analyst forecasts. The revenue growth measure is based on the definition of underlying measures set out on page 261. Strategic goals will include diversity, equity, and inclusion metrics. Targets are not disclosed because they are considered by the Board to be commercially sensitive. Many of the Company's competitors are unlisted companies and not required to disclose their targets; the Company's disclosure could provide its competitors with a considerable advantage. It is intended for retrospective disclosure to be made in next year's Report.

When determining incentive outcomes, the Remuneration Committee will examine factors including the broader context in which performance was delivered. This would include: balanced growth, a high-quality revenue mix, and strategically-aligned M&A, as components of the shareholder experience. The Committee has discretion to decide whether and to what extent the performance conditions have been met, and in appropriate circumstances to override the formulaic outcome.

Performance share awards

The Committee reviews award sizes annually, taking into account factors such as underlying business performance, individual performance, and share price movement.

FY25 performance share awards will be granted over shares worth 400% of salary for the CEO and 300% of salary for the CFO (based on salaries effective 1 January 2025 as set out on page 148), pending shareholder approval of the 2025 Policy at the 2025 AGM.

Vesting of these awards will be subject to satisfaction of the performance conditions detailed on page 150, measured over the three financial years to 30 September 2027.

The Committee is satisfied that all the targets represent a degree of challenge proportionate to the potential rewards that may be realised for their achievement in light of all relevant factors, including the current business plan, historical performance, and analysts' forecasts.

Underlying EPS (60% of award)[1]

	EPS in FY27	% of award vesting[2]
Below threshold	Below 47.5p	0%
Threshold	47.5p	12%
Exceptional	58.0p	60%

Notes:
1. EPS is measured as the amount of post-tax profit attributable to each ordinary share on an underlying basis.
2. Vesting of this portion of the PSP award is subject to the achievement of 12.0% p.a. ROCE underpin to be met. ROCE is defined on page 262. ROCE will be measured on an underlying basis. The Committee will review on a case-by-case basis the impact on underlying measures of significant acquisitions and disposals, and judge whether to adjust incentive targets or outcomes. The impact of share buybacks will be included.

Relative TSR performance condition (30% of award)

	TSR ranking	% of award vesting
Below threshold	Below median	0%
Threshold	Median	6%
Stretch	Upper quartile	24%
Exceptional	Upper decile	30%

Notes:
- TSR performance comprises share price growth and dividends paid. Vesting is on a straight-line basis between the points.
- Sage's TSR performance will be measured relative to the TSR of the constituents of the FTSE 100, excluding financial services and extracting companies.

ESG—Protect the Planet (5% of award)

Delivering on our climate change commitment, this metric addresses reduction in Scope 1, 2, and 3 carbon emissions:

	% reduction in carbon emissions[1]	% of award vesting
Below threshold	Below 8.6%	0%
Threshold	8.6%	1%
Stretch	17.2%	4%
Exceptional	25.8%	5%

Notes:
1. Targets are for emissions reduction between FY24 and FY27, aligning to our commitment to achieve 50% reduction in emissions by 2030 (from a 2019 baseline) and our Net Zero goal by 2040.
   Outturns will be independently verified.
   Vesting is on a straight-line basis between the points.

ESG—Tech for Good (5% of award)

Enabling customers on their net zero journey through access to carbon accounting functionality via Sage suites.

	Enhanced access to carbon accounting functionality through Sage Active suites in FY27[1]	% of award vesting
Below threshold	No Sage Active suites	0%
Threshold	Sage for Sage Active suite in France	1%
Stretch	Sage for Sage Active suite in France, Spain, and Germany	4%
Exceptional	Sage for Sage Active suite in France, Spain, and Germany, and Sage Distribution and Manufacturing Operations (SDMO) suite	5%

Note:
1. At the beginning of FY25, Sage had no carbon accounting functionality integrated into Sage Active suites. Performance will be assessed at the end of FY27 when the Committee will determine how many Sage Active suites enable access to carbon accounting functionality.

Performance share awards granted in FY25 will be subject to potential withholding (malus) or recovery (clawback) if specified trigger events occur prior to the third anniversary of the release date of an award. Trigger events in respect of PSAs will comprise a material misstatement of the audited results, an error in calculation of the extent of the PSA vesting, serious reputational damage, or significant financial loss as a result of an individual's conduct or gross misconduct which could have warranted an individual's summary dismissal, or a material failure of risk management.

Non-executive Director remuneration

Non-executive fees, except for the fee for the Chair, are determined by the executive members of the Board plus the Chair. The fee for the Chair of the Board is determined by the Committee. Consistent with the Investment Association's Principles of Remuneration, fees are regularly reviewed to ensure they fairly reflect the time commitment and complexity of different roles.

As Sage continues to scale, there has been a material increase in the responsibilities and time commitment for the Chair and other Non-executive Directors. This has been particularly marked in relation to Committee meetings where Committee members are often required to devote significant additional time in preparation and additional work. In consideration of these factors and relevant market data, a number of adjustments have been made to the FY25 fee structure (set out in the table below), so that it more appropriately reflects the enhanced workload and responsibilities of the Chair and other Non-executive Directors.

	Fees effective from 1 January 2025	Fees effective prior to 1 January 2025
Chair of the Board all-inclusive fee	£465,000	£420,000
Basic Non-executive Director fee	£80,000	£73,500
Senior Independent Director additional fee	£25,000	£17,000
Audit and Risk Committee Chair additional fee	£25,000	£25,000
Remuneration Committee Chair additional fee	£25,000	£25,000
Audit and Risk Committee membership fee	£10,000	–
Remuneration Committee membership fee	£10,000	–
Nomination Committee membership fee	£5,000	–

Directors' shareholdings and share interests (audited information)

Pending approval of the 2025 Policy at the AGM, the shareholding guideline for the CEO will increase to 500% of salary and for the CFO will increase to 350% of salary. Executive Directors are expected to build up the required shareholding within a five-year period of the Executive Director becoming subject to the guideline. As at 30 September 2024, Steve Hare held shares worth 848% of salary and Jonathan Howell held shares worth 634% of salary. Values include unvested deferred shares net of tax at the estimated marginal withholding rates and any shares held by the Executive Directors' connected persons. The values for an Executive Director are derived from interests in shares valued using the average market price of a share in the three months to 30 September 2024 (the last trading day of the financial year), which was £10.323, and the Executive Director's basic salary over the same period.

Executive Directors are required to hold Sage shares for a two-year period after stepping down from that position. This post-employment shareholding guideline is aligned to the Investment Association guidance, such that Executive Directors are required to remain compliant with 100% of their "in-employment" shareholding guideline for two years after stepping down as a Director. The Executive Director's actual shareholding will include any shares acquired through the vesting or release of shares from share incentive plans (net of tax, where applicable) after the date the Policy was adopted and unvested shares granted under the Deferred Bonus Plan (net of tax), but excludes shares acquired through purchase and the release of shares under share incentive plans where the release occurred prior to the Committee's adoption of the Policy. Additionally, PSP shares vesting after cessation are subject to a two-year holding period at vesting.

On cessation as an Executive Director, the Committee may subject any relevant portion of an unvested share award preserved for "good leaver" reasons to the fulfilment of the post-cessation shareholding requirement as a condition of vesting.

Furthermore, for awards granted to an Executive Director on or after 1 October 2019, the Committee may as a condition of grant require an Executive Director to have a relevant portion of a released share award be released into a nominee account to be held on their behalf until such time as the post-cessation shareholding requirement expires.

Interests in shares

The interests as at 30 September 2024 of each person who was a Director of the Company during the year (together with interests held by his or her connected persons) were:

Director	Ordinary shares at 30 September 2024	Ordinary shares at 30 September 2023
S Anand	1,000	–
J Bates[1]	16,735	16,735
J Bewes	10,000	10,000
M Chan Jones	10,000	10,000
A Court	7,300	6,350
R Donnelly[2]	10,000	10,000
D Hall[3]	10,000	10,000
S Hare[4]	558,291	488,580
J Howell	231,885	189,416
D Harding[5]	10,000	10,000
A Duff	13,150	13,150
Total	878,361	764,231

Notes:
1. Jillian Marie Bates is a person closely associated with Dr Bates. The total for 30 September 2024 includes 16,735 shares held by Jillian Marie Bates.
2. Roisin Donnelly was appointed as a Non-executive Director on 3 February 2023.
3. This is the balance at 31 December 2023 on the date Drummond Hall retired.
4. Lucinda Cowley is a person closely associated with Mr Hare. The total for 30 September 2024 includes 30,000 shares held by Lucinda Cowley.
5. Fiona Harding is a person closely associated with Mr Harding. The total for 30 September 2024 includes 10,000 shares held by Fiona Harding.

There have been no changes in the Directors' holdings in the share capital of the Company, as set out in the table above, between 30 September 2024 and the date of this Report.

Details of the Executive Directors' interests in outstanding share awards under the PSP, Deferred Bonus Plan, and all-employee share option plans are set out below.

All-employee share options (audited information)

All Executive Directors are eligible to join the all-employee share plan, the Sage Save and Share Plan, on the same terms as all eligible colleagues based in their respective local jurisdiction. See note 14.2 to the Group Financial statements on pages 237 to 243 for more detail of this plan. In the year under review, Steve Hare participated in this scheme. The outstanding all-employee share options granted to each Director of the Company are as follows:

Director	Exercise price per share	Shares under option at 1 October 2023 number	Granted during the year number	Exercised during the year number	Lapsed during the year number	**Shares under option at 30 September 2024 number**	Date exercisable
S Hare	690p	2,608	–	–	–	2,608	1 August 2026–31 January 2027
Total		**2,608**	**–**	**–**	**–**	**2,608**	

Notes:
- Steve Hare participated in the 2023 Save and Share Plan. Under the UK Save and Share Plan rules, the scheme has a three-year saving period. No performance conditions apply to options granted under this plan. For the 2023 UK Save and Share grant, the exercise price was set at £6.90, a 20% discount on the average share price on 18 May 2023, 19 May 2023, and 22 May 2023 of £8.614.
- Jonathan Howell did not participate in the 2023 Save and Share Plan. Neither Steve Hare or Jonathan Howell participated in the 2024 Save and Share Plan.
- The market price of a share of the Company at 30 September 2024 (the last trading day of the financial year) was £10.245 (mid-market average) and the lowest and highest market prices during the year were £9.508 and £12.820 respectively.

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Performance Share Plan (audited information)

The outstanding awards granted to each Executive Director of the Company under the PSP are as follows:

Director	Grant date	Under award 1 October 2023 number	Awarded during the year number	Vested during the year number	Lapsed during the year number	**Under award 30 September 2024 number**	Vesting date
S Hare	1 February 2024	–	241,514	–	–	241,514	4 December 2026
	2 December 2022	259,210		–	–	259,210	2 December 2025
	4 February 2022	258,169	–	–	–	258,169	2 December 2024
	2 December 2020	267,006	–	(195,181)	(71,825)	–	2 December 2023
		784,385	**241,514**	**(195,181)**	**(71,825)**	**758,893**	
J Howell	4 December 2023	–	118,668	–	–	118,668	4 December 2026
	2 December 2022	159,961	–	–	–	159,961	2 December 2025
	4 February 2022	141,690	–	–	–	141,690	2 December 2024
	2 December 2020	185,374	–	(135,508)	(49,866)	–	2 December 2023
		487,025	**118,668**	**(135,508)**	**(49,866)**	**420,319**	
Total		**1,271,410**	**360,182**	**(330,689)**	**(121,691)**	**1,179,212**	

Notes:
- No variations were made in the terms of the awards in the year.
- PSP awards for 2024 were granted to Executive Directors on 1 February 2024 for the CEO and 4 December 2023 for the CFO. The market price of the award was £11.490.
- The performance conditions for awards granted in December 2020, February 2022, and December 2022 are set out in the respective Reports for the year of grant and for awards granted in December 2023 and February 2024 on page 144.
- The performance conditions for Steve Hare's and Jonathan Howell's awards that vested during 2024 are set out on page 149 of the 2023 Report.
- Awards for Steve Hare granted in December 2017 and after are subject to a holding period of two years on vesting. Awards for Jonathan Howell vesting in 2020 and after are subject to a holding period of two years on vesting.
- All PSP awards were granted as conditional awards.

Deferred shares (audited information)

The outstanding awards granted to each Executive Director of the Company under The Sage Group Deferred Bonus Plan are as follows:

Director	Grant date	Under award 1 October 2023 number	Awarded during the year number	Vested during the year number	Lapsed during the year number	**Under award 30 September 2024 number**	Vesting date
S Hare	4 December 2023	–	28,815	–	–	28,815	4 December 2026
	2 December 2022	50,785	–	–	–	50,785	2 December 2025
	2 December 2021	35,188	–	–	–	35,188	2 December 2024
	2 December 2020	14,260	–	(14,260)	–	–	2 December 2023
		100,233	**28,815**	**(14,260)**	**–**	**114,788**	
J Howell	4 December 2023	–	20,050	–	–	20,050	4 December 2026
	2 December 2022	35,221	–	–	–	35,221	2 December 2025
	2 December 2021	24,754	–	–	–	24,754	2 December 2024
	2 December 2020	10,225	–	(10,225)	–	–	2 December 2023
		70,200	**20,050**	**(10,225)**	**–**	**80,025**	
Total		**170,433**	**48,865**	**(24,485)**	**–**	**194,813**	

Notes:
- Awards are not subject to further performance conditions once granted. The market price of a share on 1 December 2023, the trading day prior to the date of the awards made in the year ended 30 September 2024, was £11.490.
- No variations were made in the terms of the awards in the year.

There are limits on the number of newly issued and treasury shares that can be used to satisfy awards under the Group's share schemes in any 10-year period. The limits and the Group's current position against those limits as at 30 September 2024 (the last practicable date prior to publication of this Report) are set out below:

Limit	Current position
5% of Group's share capital can be used for discretionary share schemes	4.45%
10% of Group's share capital can be used for all share schemes	5.48%

The current position consists of shares released during the period plus committed shares inclusive of dividend equivalents accrued, with the total adjusted for forfeitures and, where applicable, performance expectations. The Company has previously satisfied all awards through the market purchase of shares or transfer of treasury shares and will continue to consider the most appropriate approach, based on the relevant factors at the time.

External appointments

Executive Directors are permitted, where appropriate and with Board approval, to take non-executive directorships with other organisations in order to broaden their knowledge and experience in other markets and countries. Fees received by the Directors in their capacity as directors of these companies are retained, reflecting the personal responsibility they undertake in these roles. The Board recognises the significant demands that are made on Executive and Non-executive Directors and has therefore adopted a policy that no Executive Director should hold more than one directorship of other listed companies. Except in exceptional circumstances, where approved in advance by the Chair of the Committee, if an Executive Director holds non-executive positions at more than one listed company then only the fees from one such company will be retained by the Director. Jonathan Howell was appointed as independent non-executive director to the board of Experian plc with effect from 1 May 2021 and as such receives an annual fee of €174,750. He was subsequently appointed as audit committee chair with effect from 1 July 2022 and receives an annual fee of €52,750 accordingly. For the year ended 31 March 2024, he received €235,000, as reported on page 154 of the Experian Annual Report 2024. This is the only appointment of this nature he holds. Steve Hare does not currently hold any appointments of this nature.

No formal limit on other board appointments applies to Non-executive Directors under the Policy, but prior approval (not to be unreasonably withheld) from the Board is required in the case of any new appointment.

Unexpired term of contract table

Director	Date of contract	Unexpired term of contract on 30 September 2024, or on date of contract if later	Notice period under contract
Executive Directors			
S Hare	3 January 2014	12 months	12 months from the Company and/or individual
J Howell	10 December 2018	12 months	12 months from the Company and/or individual
Non-executive Directors			
S Anand	1 May 2023	1 year 7 months	1 month from the Company and/or individual
J Bates	31 May 2022	8 months	1 month from the Company and/or individual
J Bewes	1 April 2022	6 months	1 month from the Company and/or individual
M Chan Jones	1 December 2022	1 year 2 months	1 month from the Company and/or individual
A Court	1 April 2022	6 months	1 month from the Company and/or individual
R Donnelly	3 February 2023	1 year 4 months	1 month from the Company and/or individual
D Harding	2 March 2024	2 years 5 months	1 month from the Company and/or individual
A Duff	1 May 2024	2 years 7 months	6 months from the Company and/or individual

Consideration by the Directors of matters relating to Directors' remuneration

The following Directors were members of the Committee when matters relating to the Directors' remuneration for the year were being considered:

- Annette Court (Chair to 30 April 2024)
- Drummond Hall (Member until 31 December 2023)
- Dr John Bates
- Roisin Donnelly (Chair from 1 May 2024)

The Committee received assistance from Amanda Cusdin (Chief People Officer), Tara Gonzalez (Executive Vice President, Reward and Recognition), Vicki Bradin (General Counsel and Company Secretary), and other members of management (including the CEO and CFO), who may attend meetings by invitation, except when matters relating to their own remuneration are being discussed.

External advisors

The Committee continues to receive advice from Deloitte LLP, an independent firm of remuneration consultants appointed by the Committee after consultation with the Board. During the year, Deloitte's executive compensation advisory practice advised the Committee on developments in market practice, corporate governance, institutional investor views, the development of the Company's incentive arrangements, and the review of the Policy. Total fees for advice provided to the Committee during the year were £142,700 (charged on a time spent basis).

The Committee is satisfied that the advice it has received has been objective and independent.

Deloitte is a founding member of the Remuneration Consultants Group and adheres to its code in relation to executive remuneration consulting in the UK. Other parts of Deloitte have provided tax advice, specific corporate finance support in the context of merger and acquisition activity, and unrelated corporate advisory services.

Stitch, a Deloitte business, provided the Sage reward team with communication support on colleague share plan communications during 2024.

Statement of shareholding voting

The table below sets out the results of the vote on the 2022 Policy at the 2022 AGM and the Directors' Remuneration Report at the 2024 AGM:

	Votes for		Votes against		Votes	Votes
	number	%	number	%	cast	withheld
Remuneration Policy	825,904,476	99.12	7,332,300	0.88	833,236,776	189,118
Remuneration Report	805,495,629	98.30	13,958,246	1.70	819,453,875	2,677,096

Roisin J.C. Donnelly

Roisin Donnelly
Chair of the Remuneration Committee

19 November 2024

Directors’ Report

The Directors present their report together with the audited consolidated financial statements for the financial year ended 30 September 2024 (the “Annual Report and Accounts”). The Annual Report and Accounts contain statements that are not based on current or historical fact and are forward-looking in nature. Please refer to the Disclaimer on page 160.

Information included in the Strategic Report

The Directors’ Report, together with the Strategic Report on pages 1 to 74, represents the management report for the purpose of compliance with the Disclosure Guidance and Transparency Rules (“DTRs”) 4.1.R.

As permitted by legislation, some of the matters required to be included in the Directors’ Report have instead been included in the Strategic Report, as the Board considers them to be of strategic importance. Specifically, these are:

Subject matter	Page reference
Future business developments	12 to 14 —Chief Executive Officer’s review Relevant information is also in the Strategic Report on pages 16 to 17
Greenhouse gas emissions, energy consumption and energy-efficiency action	30 to 31 — Sustainability and Society 38 to 42 — TCFD Relevant information is also available in our Sustainability and Society Report on our website, www.sage.com
Employment of disabled persons Engagement with colleagues Engagement with suppliers, customers and others	24 to 29 — Our people and culture 44 to 47 — Section 172(1) statement 48 to 54 —Stakeholder engagement Relevant information is also in the Corporate governance report on pages 94 to 97, and in this Directors’ Report on page 157
Important events affecting the Group after year end	9 and 11 of the Strategic Report 159 of this Directors’ Report Note 17 of the financial statements on page 248

Corporate governance statement

The DTRs require certain information to be included in a corporate governance statement in the Directors’ Report. This information can be found in the Corporate governance report on pages 75 to 155, which is incorporated into this Directors’ Report by reference, and, in the case of the information referred to in DTR 7.2.6, in this Directors’ Report.

Disclosure of information under UK Listing Rule 6.6.1R

Sub-section of Listing Rule 6.6.1R	Detail	Page reference
6	Allotments of shares for cash pursuant to the Group employee share schemes	237 to 238
11, 12	Shareholder waiver of dividend	159

Results and dividends

The results for the financial year are set out on pages 162 to 259.

Full details of the proposed final dividend payment for the year ended 30 September 2024 are set out on page 245. The Board is proposing a final dividend of 13.50 pence per share, following the payment of an interim dividend of 6.95 pence per share on 28 June 2024. The proposed total dividend for the year is therefore 20.45 pence per share.

Going concern

After making enquiries, the Directors have a reasonable expectation that Sage has adequate resources to continue in operational existence over the 18 months to 31 March 2026 (the going concern assessment period). Accordingly, they continue to adopt the going concern basis in preparing the financial statements. In reaching this conclusion, the Directors have had due regard to the following:

- The Group has a robust balance sheet with £1.1bn of cash and available liquidity as at 30 September 2024 and strong underlying cash conversion of 123%, reflecting the strength of the subscription business model. Further information on the available cash resources, including the undrawn revolving credit facility and committed bank facilities, is provided in note 12 of the financial statements on pages 223 to 226.
- The financial position of Sage, its cash flows, financial risk management policies and available debt facilities, which are described in the financial statements, and Sage’s business activities, together with the factors likely to impact its future growth and operating performance, which are set out in the Strategic Report on pages 55 to 61.
- The Directors have reviewed liquidity forecasts for the Group for the period to 31 March 2026 (the going concern assessment period), which reflect the expected impact of economic conditions on trading. In doing so, the Directors have also reviewed the extent to which the macro-economic environment has been considered in building assumptions to support the forecasts. Stress testing has been performed with the impact of severe increases in churn and significantly reduced levels of new customer acquisition and sales to existing customers being considered.

Viability Statement
The full Viability Statement and the associated explanations made in accordance with Provision 31 of the UK Corporate Governance Code 2018 can be found on pages 73 and 74.

Research and development
During the year, the Group incurred a cost of £344m (2023: £342m) in respect of research and development. Please see note 3.2 of the financial statements on page 194 for further details.

Political donations
No political donations were made in the year.

Directors and their interests
A list of Directors, their interests in the ordinary share capital of Sage, their interests in its long-term Performance Share Plan and Deferred Share Bonus Plan, and details of their options over the ordinary share capital of Sage are given in the Directors' Remuneration Report on pages 116 to 155. No Director had a material interest in any significant contract, other than a service contract or contract for services, with Sage or any of its operating companies at any time during the year.

The names of all persons who, at any time during the year, were Directors of Sage can be found on pages 78 to 79.

Sage maintains Directors' and Officers' liability insurance, which provides appropriate cover for legal action brought against its Directors. Sage has also granted indemnities (which are qualifying third-party indemnity provisions under the Companies Act 2006) to each member of the Board, under which it has agreed to indemnify the Directors to the extent permitted by law and by Sage's articles of association, in respect of all liabilities incurred in connection with the performance of their duties as a Director of Sage or any of its subsidiaries. These indemnities were in force throughout the financial year and remain in force as at the date of this report. Neither these indemnities, nor the Directors' and Officers' insurance provides cover in the event that a Director is proven to have acted fraudulently or dishonestly.

Employment policy
The Group remains committed to pursuing diversity, equity and inclusion in all its employment activities and welcomes the unique culture, identity and experience that each person can bring. This applies to recruitment, training, career development and promotion, with candidates and colleagues treated with dignity, care and respect, regardless of their characteristics, identities, backgrounds or lived experiences.

In fostering an inclusive culture, the Group ensures that there is no bias or discrimination in the treatment of persons with disabilities. Applications for employment are welcomed from persons with disabilities and adjustments are made in consultation with the applicant to ensure that appropriate opportunity is given so that they can demonstrate their suitability for the role. Wherever possible, Sage will undertake any adjustments or retraining that is required to retain any colleague who becomes disabled during their employment within the Group.

Further details of the Board's DEI policy can be found on pages 103 and 106, and information regarding workforce diversity is provided on pages 28 and 29.

Engagement with colleagues
The Group maintains its policy of colleague involvement by making information available and consulting with colleagues on matters of concern to them. Colleagues regularly receive updates on the financial and economic factors affecting the Group, and the Group regularly seeks direct feedback from colleagues. Many colleagues choose to participate in the Company's voluntary all-employee share plans and/or may be awarded free shares under the Company's discretionary share plans, including a long-term performance share plan. Further details regarding colleague engagement, our Board Associate, how the Directors have had regard to colleague interests and the effect of that regard on principal decisions taken by the Board during the year are provided on pages 24 to 29, 50 to 51, and 90 to 97.

Engagement with other stakeholders
Details of engagement with Sage's other key stakeholders, information on how the Directors have considered their interests and the effect of that consideration on principal decisions taken by the Board during the year are provided on pages 44 to 54.

Major shareholdings
As at 30 September 2024[1], Sage had been notified by the following investors in their interest in its ordinary share capital, in accordance with the DTRs:

Name	Ordinary shares	% of capital[2]	Nature of holding
FMR LLC	63,432,211	6.32%	Indirect
BlackRock, Inc.	64,021,267	5.90%	Indirect
The Capital Group Companies, Inc.	51,198,348	5.10%	Indirect
Lindsell Train Limited	50,214,000	4.97%	Indirect
FIL Limited	50,373,561	4.92%	Direct and Indirect
Aviva plc[1]	30,242,979	3.01%	Direct

Notes:
1. In the period from 30 September 2024 to the date of this report, notification was received from Aviva plc regarding a reduction in their interest to below the three per cent threshold, as duly announced on 9 October 2024.
2. Percentage as at date of notification. Notification is required when the percentage of voting rights (through shares and financial instruments) held by a person reaches, exceeds or falls below an applicable threshold specified in the DTRs.

Information provided to Sage under the DTRs is publicly available via the regulatory information service and on Sage's website at sage.com.

Share capital

Sage's share capital is set out on page 237. Sage has a single class of share capital, which is divided into ordinary shares of $1\frac{4}{77}$ pence each.

Rights and obligations attaching to shares

Voting

In a general meeting of Sage, the provisions of the Companies Act 2006 apply in relation to voting rights, subject to the provisions of the articles of association and to any special rights or restrictions as to voting attached to any class of shares in Sage (of which there are none). In summary:

- On a show of hands, each qualifying person (being an individual who is a member of Sage, a person authorised to act as the representative of a corporation or a person appointed as a proxy of a member) shall have one vote, except that a proxy has one vote for and one vote against a resolution if the proxy has been appointed by more than one member and has been given conflicting voting instructions by those members or has been given discretion as to how to vote; and
- On a poll, every qualifying person shall have one vote for every share which they hold or represent.

No member shall be entitled to vote at any general meeting or class meeting in respect of any shares held by them if any call or other sum then payable by them in respect of that share remains unpaid. Currently, all issued shares are fully paid.

Deadlines for voting rights

Full details of the deadlines for exercising voting rights in respect of the resolutions to be considered at the Annual General Meeting to be held on 6 February 2025 will be set out in the Notice of Annual General Meeting.

Dividends and distributions

Subject to the provisions of the Companies Act 2006, Sage may, by ordinary resolution, declare a dividend to be paid to the members and may fix the time for payment of such dividend, but no dividend shall exceed the amount recommended by the Board.

The Board may pay interim dividends, and also any fixed rate dividend, whenever the financial position of Sage justifies its payment, in the opinion of the Board. All dividends shall be apportioned and paid pro-rata according to the amounts paid up on the shares.

Liquidation

If Sage is in liquidation, the liquidator may, with the authority of a special resolution of Sage and any other authority required by the statutes (as defined in the articles of association):

- Divide among the members in specie the whole or any part of the assets of Sage; or
- Vest the whole or any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit but no member shall be compelled to accept any assets upon which there is any liability.

Transfer of shares

Subject to the articles of association, any member may transfer all or any of their certificated shares by an instrument of transfer in any usual form or in any other form which the Board may approve. The Board may, in its absolute discretion, decline to register any instrument of transfer of a certificated share which is not a fully paid share (although not so as to prevent dealings in shares taking place on an open and proper basis) or on which Sage has a lien.

The Board may also decline to register a transfer of a certificated share unless the instrument of transfer is: (i) left at Sage's Registered Office, or at such other place as the Board may decide, for registration; and (ii) accompanied by the certificate for the shares to be transferred and such other evidence (if any) as the Board may reasonably require to prove the title of the intending transferor or his or her right to transfer the shares.

The Board may permit any class of shares in Sage to be held in uncertificated form and, subject to the articles of association, title to uncertificated shares to be transferred by means of a relevant system and may revoke any such permission. Registration of a transfer of an uncertificated share may be refused where permitted by the statutes (as provided in the articles of association).

Repurchase of shares

In line with common practice for listed companies, Sage requests shareholder authority at its Annual General Meeting ("AGM") each year to permit the Company to buy back its ordinary shares in the market (the "Buyback Authorities"). Sage obtained shareholder authority at the AGM held on 1 February 2024 to buy back up to 102,607,262 ordinary shares in the market (the "2024 Buyback Authority"). The 2024 Buyback Authority replaced the shareholder authority obtained at the AGM held on 2 February 2023 to buy back up to 102,351,092 shares in the market, which expired at the 2024 AGM (the "2023 Buyback Authority").

Pursuant to a buyback programme which started on 22 November 2023 and ended on 11 April 2024 (the "2023/2024 Buyback Programme"), a total number of 29,289,778 ordinary shares of $1\frac{4}{77}$ pence were purchased during the year under review, of which 14,627,013 ordinary shares were purchased using the 2023 Buyback Authority and 14,662,765 ordinary shares were purchased using the 2024 Buyback Authority. The aggregate amount of consideration paid by Sage for shares purchased in FY24 was £345,346,901.67 and the average price paid per ordinary share was £11.79.

The shares purchased during FY24 represent approximately 2.73% of the called-up share capital of the Company as at 30 September 2024.

The 2023/2024 Buyback Programme was consistent with Sage's disciplined capital allocation policy, and reflected the Board's confidence in Sage's future prospects, together with Sage's strong cash generation and robust financial position. Please refer to pages 55 and 61, and note 14.4 on page 245 for further information.

Alongside our FY24 results, we are announcing a share buyback programme of up to £400 million, running from 20 November 2024 and expected to end no later than 3 June 2025 (the "2024/2025 Buyback Programme"). The 2024/2025 Buyback Programme is permitted under the 2024 Buyback Authority, which will expire at the AGM to be held in 2025. Shareholder approval will be sought for a similar authority at the AGM to be held in February 2025.

Under the terms of the Buyback Authorities, the minimum price which must be paid for each ordinary share is its nominal value and the maximum price is the higher of an amount equal to 105% of the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately before the purchase is made and an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for ordinary shares on the trading venue where the purchase is carried out (in each case exclusive of expenses).

The 2024/2025 Buyback Programme is consistent with the Group's disciplined capital allocation policy, and reflects the Board's confidence in Sage's future prospects, together with Sage's strong cash generation and robust financial position. Sage continues to have considerable financial flexibility to drive the execution of its growth strategy. Shares repurchased under the 2024/2025 Buyback Programme will be cancelled.

Information on transactions in own shares will be made publicly available via the regulatory information service and on Sage's website at sage.com.

Amendment of Sage's articles of association

Any amendments to Sage' s articles of association may be made in accordance with the provisions of the Companies Act 2006 by way of special resolution. Sage's articles of association were last amended by special resolution at the AGM held on 4 February 2021.

Appointment and replacement of Directors

Directors shall be not less than two and no more than 15 in number. Directors may be appointed by Sage by ordinary resolution or by the Board. A Director appointed by the Board holds office until the AGM and is then eligible for election by the shareholders, in accordance with Sage's articles of association.

The Board may from time to time appoint one or more Directors to hold employment or executive office for such period (subject to the provisions of the Companies Act 2006) and on such terms as they may determine and may revoke or terminate any such appointment.

Under the articles of association, at every AGM of Sage, every Director who held office as at seven days before the date of the Notice of Annual General Meeting shall retire from office (but shall be eligible for election or re-election by the shareholders). Sage may by special resolution (or by ordinary resolution of which special notice has been given) remove, and the Board may by unanimous decision remove, any Director before the expiration of his or her term of office. The office of Director shall be vacated if: (i) he or she resigns; (ii) he or she has become physically or mentally incapable of acting as a director and may remain so for more than three months and the Board resolves that his or her office is vacated; (iii) he or she is absent without permission of the Board from meetings of the Board for six consecutive months and the Board resolves that his or her office is vacated; (iv) he or she becomes bankrupt or makes an arrangement or composition with his or her creditors generally; (v) he or she is prohibited by law from being a director; or (vi) he or she is removed from office pursuant to the articles of association.

Powers of the Directors

The business of Sage will be managed by the Board which may exercise all the powers of Sage, subject to the provisions of Sage's articles of association, the Companies Act 2006 and any resolution of Sage. Authority is sought from shareholders at each AGM to grant the Directors powers, in line with institutional shareholder guidelines and relevant legislation, in relation to the issue and buyback by the Company of its shares.

Shares held in the Employee Benefit Trust

The trustee of The Sage Group plc. Employee Benefit Trust (EBT) has agreed not to vote any shares held in the EBT at any general meeting. If any offer is made to shareholders to acquire their shares, the trustee will not be obliged to accept or reject the offer in respect of any shares which are subject to subsisting awards, but will have regard to the interests of the award holders and will have power to consult them to obtain their views on the offer. Subject to the above, the trustee may take action with respect to any offer it thinks fair. The trustee has waived its right to dividends on the shares held in the EBT.

Significant agreements

The following significant agreements contain provisions entitling the counterparties to exercise termination or other rights in the event of a change of control of Sage:

- Under the terms of (i) the €500m 3.820 per cent guaranteed Notes due 15 February 2028 (issued under Sage's EMTN Programme); (ii) the £350m 1.625 per cent guaranteed

Notes due 25 February 2031; and (iii) the £400m 2.875 per cent guaranteed Notes due 8 February 2034, which are all issued by the Company and guaranteed by Sage Treasury Company Limited, a Noteholder has the right to require the Company to redeem or repay its Notes on a change of control of the Company where at the time of the occurrence of the change of control:

(i) the Notes then in issue carry, on a solicited basis, an investment-grade credit rating, which is either downgraded to non-investment grade or withdrawn (so long as the Notes are not upgraded or reinstated to an investment-grade rating by the relevant rating agency, or a replacement investment-grade rating of another rating agency on a solicited basis is not obtained, in each case within a set period of time, and the relevant rating agency confirms that its rating decision resulted, in whole or in part, from the occurrence of the change of control); or

(ii) the Notes then in issue carry a non-investment grade credit rating from each rating agency then assigning a credit rating on a solicited basis or no credit rating from any rating agency on a solicited basis.

- Under the terms of the Notes, "change of control" is defined as:

i) any person or any persons acting in concert (as defined in the City Code on Takeovers and Mergers), other than a holding company (as defined in Section 1159 of the Companies Act 2006, as amended), whose shareholders are or are to be substantially similar to the pre-existing shareholders of the Company, shall become interested (within the meaning of Part 22 of the Companies Act 2006, as amended) in (x) more than 50 per cent. of the issued or allotted ordinary share capital of the Company or (y) shares in the capital of the Company carrying more than 50 per cent. of the voting rights normally exercisable at a general meeting of the Company; or

(ii) Sage Treasury Company Limited ceases to be a direct or indirect subsidiary of the Company.

- Under a £630m five-year multi-currency revolving credit facility agreement, dated 13 December 2022, and made between, amongst others, Sage Treasury Company Limited and the facility agent, and guaranteed by the Company, on a change of control, if any individual lender so requires and after having consulted with Sage Treasury Company Limited in good faith for not less than 30 days following the change of control, the facility agent shall, by not less than 10 business days' notice to Sage Treasury Company Limited, cancel the commitment of that lender and declare the participation of that lender in all outstanding loans, together with accrued interest and all other amounts accrued under the finance documents, immediately due and payable, whereupon the commitment of that lender will be cancelled and all such outstanding amounts will become immediately due and payable. In respect of this revolving credit facility agreement, "control" is defined as per Sections 450 and 451 of the Corporation Taxes Act 2010.
- The platform reseller agreement, dated 31 January 2015, relating to the Company's strategic arrangements with Salesforce.com EMEA Limited contains a change of control right enabling Salesforce to terminate the agreement in the event there is a change of control in favour of a direct competitor of Salesforce.com EMEA Limited. The agreement contains post-termination requirements upon Salesforce to support a transition for up to a specified period. In respect of the platform reseller agreement with Salesforce.com EMEA Limited, "change of control" occurs where a corporate transaction results in the owners of the subject entity owning less than 50% of the voting interests in that entity as a result of the corporate transaction.
- All of Sage's employee share plans contain provisions relating to a change of control of The Sage Group plc. Outstanding awards and options may vest and become exercisable on a change of control, subject to the satisfaction of any applicable performance conditions and time pro-rating.

Branch

The Group, through various subsidiaries, has a branch in France. Further details are included in note 18 on pages 249 to 252.

Financial risk management

The Group's exposure to and management of capital, liquidity, credit, interest rate and foreign currency risk are shown in note 13.6 of the financial statements.

Our approach to risk management and our Principal Risks can be found in note 13.6 and on pages 62 to 72.

Disclaimer

The purpose of this Annual Report and Accounts is to provide information to the members of Sage. The Annual Report and Accounts has been prepared for, and only for, the members of Sage, as a body, and no other persons. Sage, its Directors and employees, agents or advisors do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed. The Annual Report and Accounts contains certain forward-looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty, since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report and Accounts, and Sage undertakes no obligation to update these forward-looking statements. Nothing in this Annual Report and Accounts should be construed as a profit forecast.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and Accounts, including the Directors' Remuneration Report and the financial statements of the Group and the Company, in accordance with applicable laws and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group financial statements in accordance with UK-adopted International Accounting Standards (UK-IFRS) and the Company financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period.

In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether, for the Group, applicable UK-IFRS have been followed, subject to any material departures disclosed and explained in the financial statements;
- State whether, for the Company, applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for the maintenance and integrity of Sage's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors as at the date of this report, whose names and functions are listed in the Board of Directors' section on pages 78 to 79, confirm that:

- To the best of their knowledge, the Group's financial statements, which have been prepared in accordance with UK-adopted International Accounting Standards (UK-IFRS), give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group;
- To the best of their knowledge, the Company's financial statements, which have been prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- To the best of their knowledge, the Directors' Report and the Strategic Report include a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the Principal Risks and uncertainties that it faces.

Each Director, as at the date of this report, further confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Group's and the Company's auditors are unaware; and
- The Director has taken all the steps that they ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Group's and the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

In addition, the Directors as at the date of this report consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's and the Group's position, performance, business model and strategy.

By Order of the Board

Vicki Bradin
Company Secretary

19 November 2024

The Sage Group plc. Company number 02231246

Financial statements

Independent Auditor's Report to the members of The Sage Group plc.

Opinion

In our opinion:

- The Sage Group plc's Group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 September 2024 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of The Sage Group plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 30 September 2024 which comprise:

Group	Parent company
Consolidated balance sheet as at 30 September 2024	Balance sheet as at 30 September 2024
Consolidated income statement for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of comprehensive income for the year then ended	Related notes 1 to 8 to the financial statements including a summary of significant accounting policies
Consolidated statement of changes in equity for the year then ended	
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 18 to the financial statements, including material accounting policy information	

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted International Accounting Standards and IFRS as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Independence

We are independent of the Group and parent in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the Group and the parent company in conducting the audit.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and parent company's ability to continue to adopt the going concern basis of accounting included:

- We understood the process undertaken by management to perform the going concern assessment;
- We obtained management's going concern assessment, including the cash flow forecast for the going concern period to 31 March 2026. We assessed whether the period applied is appropriate, through considering the existence of any significant events or conditions beyond this period based on management's forecasting and knowledge arising from the audit that should be taken into account in the going concern assessment. Additionally, we tested the clerical accuracy of cash flow calculations within the base case and stress testing modelled by management;
- We confirmed the Group's access to available sources of liquidity and the relevant maturity dates;
- We assessed the reasonableness of all key assumptions, with a particular focus on churn, New Customer Acquisition ('NCA'), margin and working capital. This has been performed by:
  - assessing the historical forecasting accuracy of the Group by comparing actual revenue and to forecast for the previous five years;
  - checking for consistency of the forecasts with other areas of the audit including the goodwill impairment assessment; and
  - assessing whether the assumptions made were reasonable, through our own independent assessment of the impact of the current macro-economic environment and considering whether this contradicted any of the assumed growth.
- We also considered the impact of the Group's climate commitments on the cash flow forecasts;
- We reperformed management's reverse stress test to establish the level of change in revenue necessary to cause a liquidity breach and considered whether the reduction in revenue required has no more than a remote possibility of occurring; and
- We reviewed the appropriateness of management's going concern disclosure in describing the risks associated with its ability to continue to operate as a going concern from the date of the approval of the financial statements to 31 March 2026

We observed that in both management's base case and in the downside sensitivities, with churn assumptions increasing by up to 75% and a significant reduction in the level of new customer acquisitions and sales to existing customers, management has determined that there is liquidity headroom without taking the benefit of any identified controllable mitigations. Furthermore, management's reverse stress test identifies the revenue reduction compared to forecasts required to breach minimum liquidity thresholds during the going concern assessment period. The occurrence of a revenue reduction of this magnitude is considered by the Directors to be remote due to the resilient nature of the subscription-based business model, available liquidity and strong cash conversion.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and parent company's ability to continue as a going concern for a period to 31 March 2026.

In relation to the group and parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	• We performed an audit of the complete financial information of seven components and audit procedures on specific balances for a further three components. • The components where we performed full or specific audit procedures accounted for 94% of adjusted Profit before Tax*, 93% of Revenue and 98% of Total Assets.
Key audit matters	• Inappropriate timing of revenue recognition, due to cut-off errors or incorrect deferral • Recoverability of goodwill
Materiality	• Overall Group materiality of £21m which represents 5% of Profit before Tax adjusted for non-recurring items.

* Adjusted profit before tax is presented on an absolute basis.

An overview of the scope of the parent company and Group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment, the potential impact of climate change and other factors such as recent internal audit results when assessing the level of work to be performed at each company.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 17 reporting components of the Group, we selected 10 components covering entities within the United Kingdom and Ireland, France, North America, Germany, Spain and South Africa, which represent the principal business units within the Group.

Of the 10 components selected, we performed an audit of the complete financial information of 7 components ("full scope components") which were selected based on their size or risk characteristics. For the remaining 3 components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 94% (2023: 94%) of the Group's Adjusted Profit before tax*, 93% (2023: 94%) of the Group's Revenue and 98% (2023: 99%) of the Group's Total assets. For the current year, the full scope components contributed 82% (2023: 82%) of the Group's Adjusted Profit before tax*, 75% (2023: 75%) of the Group's Revenue and 94% (2023: 95%) of the Group's Total assets. The specific scope component contributed 12% (2023: 12%) of the Group's Adjusted Profit before tax, 18% (2023: 18%) of the Group's Revenue and 4% (2023: 4%) of the Group's Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

Of the remaining 7 components that together represent 6% of the Group's Adjusted Profit before tax*, none are individually greater than 2% of the Group's Adjusted Profit before tax*. For these components, we performed other procedures, including analytical review, testing of consolidation journals and intercompany eliminations, obtaining a sample of additional cash confirmations, and foreign currency translation recalculations to respond to any potential risks of material misstatement to the Group financial statements.

Independent Auditor's Report to the members of The Sage Group plc. continued

The tables below illustrate the coverage obtained from the work performed by our audit teams.

	2024					2023			
Reporting components	**Number**	**% Group Adjusted Profit before tax***	**% Group Revenue**	**% Total assets**	**Note**	Number	% Group Adjusted Profit before tax*	% Group Revenue	% Total assets
Full scope	**7**	**82%**	**75%**	**94%**	**1,2**	7	82%	75%	95%
Specific scope	**3**	**12%**	**18%**	**4%**	**1,2**	3	12%	18%	4%
Full and specific scope coverage	**10**	**94%**	**93%**	**98%**		10	94%	93%	99%
Remaining components	**7**	**6%**	**7%**	**2%**	**3**	14	6%	7%	1%
Total Reporting components	**17**	**100%**	**100%**	**100%**		**24**	**100%**	**100%**	**100%**

* Adjusted profit before tax is presented on an absolute basis.

Notes

1. There has been no change in the number of full scope or specific scope components in the current period.
2. Specific scope components are Germany, Spain and South Africa. The audit scope of these specific scope components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts selected for testing by the Primary audit team. The Group audit risk in relation to revenue recognition was subject to audit procedures at each of the full and specific scope locations with significant revenue streams (being four full scope components and three specific scope components). The Group audit risk in relation to the recoverability of goodwill was tested by the Primary audit team.
3. In the current year, the remaining 7 components contributed 6% of Adjusted Profit before tax* and the individual contribution of these components ranged from nil to 2% of the Group's Adjusted Profit before tax*. For these components, the Primary audit team performed other procedures including overall analytical review procedures and testing of consolidation journals, intercompany eliminations, a sample of cash confirmations, and foreign currency translation recalculations to respond to potential risks of material misstatement to the Group financial statements.

Changes from the prior year

The reduction in the total number of reporting components from 24 to 17 is a result of changes in the reporting hierarchy put in place by management, meaning that entities previously designated as review scope are now consolidated within other reporting components.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the seven full scope components, audit procedures were performed on two of these directly by the primary audit team. For the five full scope components and three specific scope components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

The Group audit team continued to follow a programme of planned visits that has been designed to ensure that the Senior Statutory Auditor Kathryn Barrow and/or other Group partners and senior members of the primary audit team visit a series of component teams. During the current year's audit cycle, visits were undertaken by the primary audit team to the component teams in the United Kingdom, North America, France, Spain and Germany. These visits involved discussing the audit approach with the component team and any issues arising from their work, attending meetings and reviewing relevant audit working papers on risk areas. The primary team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed relevant working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact companies. The Group has determined that the most significant future impacts from climate change on their operations will be from extreme weather events which may have an impact on workforce productivity, increasing cost of energy and carbon, hosting resilience and changing customer behaviour and needs. These are explained on page 41 in the Task Force On Climate Related Financial Disclosures and on pages 67-72 in the principal risks and uncertainties. They have also explained their climate commitments on pages 31 to 32 in "Sustainability and Society". All of these disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements.

The Group has explained in Note 1 Basis of Preparation to the consolidated financial statements how they have reflected the impact of climate change in their financial statements including how this aligns with their commitment to the aspirations of the Paris Agreement to achieve net zero emissions by 2050. Governmental and societal responses to climate change risks are still developing, and are interdependent upon each other, and consequently financial statements cannot capture all possible future outcomes as these are not yet known. The degree of certainty of these changes means that they cannot be taken into account when determining asset and liability valuations under the requirements of UK adopted International Accounting Standards. As described in Note 1, there were no factors identified that would have a material impact on the Group's accounting estimates and judgements in the current year. The considerations in relation to goodwill impairment testing are set out in Note 6.1.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition and their climate commitments, and assessing whether the impact of climate change has been appropriately reflected by management in reaching their judgements in relation to modelling future cash flows used in the impairment assessments. As part of this evaluation, we performed our own risk assessment to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and viability and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee

Inappropriate revenue recognition due to cut-off errors or incorrect deferral
Refer to the Audit and Risk and Note 3.1 of the Consolidated Financial Statements (pages 192–194)
 	
The Group has reported revenues of £2,332m (FY23: £2,184m) with deferred income at 30 September 2024 of £764m (FY23: £752m).
 	
We assessed revenue recognition as a fraud risk as revenue forms the basis for certain of the Group's key performance indicators, both in external communications and for management incentives. The risk specifically relates to the inappropriate timing of revenue recognition, due to cut-off errors or incorrect deferral.
 	
Therefore, we assessed that overstatement of revenue presented a higher risk and a key audit matter.
	Walkthroughs and controls
	• We performed walkthroughs of each significant class of revenue transactions and assessed the design effectiveness of key financial controls alongside related IT controls, however we did not test the operating effectiveness of these controls at all components. For two components, we tested the operating effectiveness of certain key controls within the revenue process.
	
	Inappropriate revenue recognition, due to cut-off errors or incorrect deferral
	• We evaluated management's determination of whether the nature of the Group's products and services resulted in the provision of a good or service at a point in time or over a contractual term, by reviewing a sample of customer contracts against the requirements of IFRS 15. This included the assessment of new or one-off transactions, by comparing the accounting treatment to the Group accounting policy and IFRS 15. The customer contracts take different forms depending upon the products/services sold and local legal practice. Our procedures included consideration as to whether this fulfilled the IFRS 15 definition of a 'contract with a customer'.
	• At all revenue generating full and specific scope components we primarily adopted a data analysis approach in relation to revenue and receivables. Our procedures involved testing full populations of transaction data for all significant revenue streams and included correlation analysis between invoiced revenue, receivables, deferred revenue and cash. Where the postings did not follow our expectation, we investigated and assessed their validity by agreeing a sample of transactions back to source documentation. Where the underlying ledger did not permit a data-driven approach, we performed detailed tests for a sample of underlying transactions.
	• In respect of deferred income, for products and services where revenue is earned over a contractual term, we:
	  • Tested a sample of transactions to determine that the amount of revenue recognised in the year and the amount deferred at the balance sheet date were accurately calculated based on progress of the contract.
	  • At certain components, with support from EY IT team members, we utilised data analysis to facilitate independent reperformance of certain management calculations, including deferred income. This included testing a sample of the data inputs against supporting evidence, such as the contract with the customer (as defined above).
	  • At components where IT controls are not tested, we have performed incremental substantive procedures.
	• We have performed cut-off testing for a sample of revenue items and credit notes booked either side of the year end date to determine that revenue was recognised in the period in which the performance obligation was fulfilled.
	
	Management override
	• Audit teams at full and specific scope components with significant revenue streams performed specific procedures to address the risk of management override, including testing to identify unusual, new or significant transactions or contractual terms and targeted journal entry testing.
	
	Disclosures
	• We also considered the adequacy of the Group's disclosures relating to revenue recognition in Note 1 (accounting estimates and judgements) and Note 3.1 (Revenue) in the consolidated financial statements.
	
	We performed full and specific scope audit procedures over this risk area in 7 locations, which covered 93% of the risk amount with the remaining 7% of revenue being covered by review scope procedures. These procedures included updating our understanding of the business alongside key processes, management enquiries and analytical review relative to budgets and prior periods.
		Based on the procedures performed, we consider revenue recognition to be appropriate for the year ended 30 September 2024. We did not identify a material misstatement as a result of inappropriate revenue recognition due to cut-off errors or incorrect deferral.

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
Recoverability of goodwill *Refer to the Audit and Risk Committee Report (page 111); and Note 6.1 of the Consolidated Financial Statements (pages 206-208)* Goodwill of £2,130m is recognised in the Group's consolidated balance sheet at 30 September 2024 (FY23: £2,245m). We continue to include the recoverability of goodwill as a Key Audit Matter due to: • the estimation involved in determining the future performance of the Cash Generating Units (CGUs); • the magnitude of the goodwill; and • the audit effort and executive involvement.	**Valuation model** Management performed its annual impairment assessment as at 30 June 2024. We obtained the impairment assessment and tested the methodology applied in the value in use calculations for each of the CGUs as compared to the requirements of IAS 36, Impairment of Assets, including the appropriateness of the forecast periods, which were consistent with management's strategic planning horizon, and the mathematical accuracy of management's model. We assessed whether the identification of CGUs or Groups of CGUs continues to be appropriate for the purpose of management's impairment assessment. We considered whether any significant changes occurred between management's assessment date and the year-end that would impact the impairment test conclusion. We did this by reviewing the ongoing performance of the business and reviewing the inputs to the discount rate in light of the current macro-economic environment. **Key assumptions in the valuation** We evaluated the key underlying assumptions used in the valuations including revenue growth rates, margin and the discount rates applied. • We assessed the appropriateness of the key assumptions used in the forecasts including new customer acquisition, upsell/add-ons and level of churn by assessing these against the results achieved in FY24 and the prior track record of growth. • For forecasts for FY25-FY27, we considered the latest market trends, through reviewing market data such as central bank macroeconomic projections, to evaluate whether there is evidence that the forecast growth rates assumed for this period should be lower than the FY24 current growth rate. • We tested the reasonableness of long-term growth rates applied after the forecast period by comparing the rates used by management to average inflation rates published by Oxford Economics. • We tested the discount rates, with the involvement of our internal valuation specialists, by reference to comparable market data and the specific risk profile relevant to each respective CGU, compared to the rates used by management. • We assessed the appropriateness of management's forecasts with respect to inclusion of the impact of climate change. • We performed downside sensitivity analysis on key assumptions in the models, including combinations thereof, to understand the parameters that, should they arise, cause an impairment of goodwill. **Disclosures** We considered the appropriateness of the related disclosures provided in Note 1 (accounting estimates and judgements) and Note 6.1 in the consolidated financial statements. We considered whether any reasonably possible change disclosures were required based upon the headroom within the sensitivity analysis.	We agree with management's conclusion that no impairment charge is required to be recognised in the year. We have concluded that the methodology applied is reasonable, the forecast period is appropriate, and the impairment models are mathematically accurate. Management's identification of CGUs remains appropriate. Key inputs such as underlying assumptions, forecast growth rates, margin and discount rates have been determined using a reasonable basis. Management's disclosures are aligned with the requirements of IAS36.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £21.0 million (2023: £16.0 million), which is 5% (2023: 5%) of Adjusted Profit before tax*. We believe that Profit before tax adjusted for non-recurring items provides us with the most relevant performance measure to the stakeholders of the entity. Non-recurring items are set out in Note 3.6 of the Group's financial statements and are summarised in the graphic below. Adjustments for non-recurring items in 2024 include a reversal of employee-related costs (£3m) and a reversal of restructuring costs (£2m). In 2023 non-recurring items included property restructuring costs of £32m, employee related costs of £9m with a reversal of restructuring costs (£3m).

We determined materiality for the Parent Company to be £35.6 million (2023: £40.2 million), which is 1% (2023: 1%) of equity. We believe that equity is an appropriate basis to determine materiality given the nature of the Parent Company as the holding company of the Group. Any balances in the Parent Company financial statements that were relevant to our audit of the consolidated Group were audited using an allocation of Group performance materiality.

Starting basis

- Total profit before tax of £426m

Adjustments

- Reversal of employee-related costs – (£3m)
- Reversal of restructuring costs – (£2m)

Materiality

- Totals £421m
- Materiality of £21.0m (5% of materiality basis)

During the course of our audit, we reassessed initial materiality with the only change in the final materiality from our original assessment at planning being to reflect the actual reported performance of the Group in the year.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2023: 75%) of our planning materiality, namely £15.7m (2023: £12.0m). We have set performance materiality at this percentage due to our assessment of the control environment and lower likelihood of misstatements.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £2.2m to £9.4m (2023: £2.4m to £8.6m).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit and Risk Committee that we would report to them all uncorrected audit differences in excess of £1.0m (2023: £0.8m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1-161, including Strategic Report and Governance Report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Corporate Governance Statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the UK Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 156;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on pages 73-74;
- Director's statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities set out on page 74;
- Directors' statement on fair, balanced and understandable set out on page 161;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 67;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 67-72; and;
- The section describing the work of the Audit and Risk Committee set out on pages 108-115.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 161, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those that relate to the reporting framework (UK adopted International Accounting Standards, IFRS as issued by the IASB, FRS 102, the UK Companies Act 2006, UK Corporate Governance Code and the Listing Rules of the UK Listing Authority), the relevant tax compliance regulations in the jurisdictions in which the Group operates and the EU General Data Protection Regulation (GDPR).
- We understood how The Sage Group plc is complying with those frameworks by making inquiries of management, internal audit, those responsible for legal and compliance procedures and the company secretary. We corroborated our enquiries through our review of Board minutes and papers provided to the Audit and Risk Committee and attendance at all meetings of the Audit and Risk Committee, as well as consideration of the results of our audit procedures across the Group.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where it considered there was susceptibility to fraud; and assessing whistleblowing incidences for those with a potential financial reporting impact. We also considered performance targets and their propensity to influence on efforts made by management to manage revenue and earnings. We considered the programmes and controls that the Group has established to address risks identified, or that otherwise prevent, deter, and detect fraud; and how senior management monitors those programs and controls. Where the risk was considered to be higher, including areas impacting Group key performance indicators or management remuneration, we performed audit procedures to address each identified fraud risk or other risk of material misstatement. These procedures included those on revenue recognition detailed above, the assessment of items identified by management as non-recurring and journal entry testing and were designed to provide reasonable assurance that the financial statements were free from material fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations, including instructions to full and specific scope component audit teams. At a Group level, our procedures involved enquiries of Group management and those charged with governance, legal counsel, and internal audit; journal entry testing, with a focus on manual consolidation journals and journals indicating large or unusual transactions based on our understanding of the business. At a component level, our full and specific scope component audit team's procedures included inquiries of component management, journal entry testing, and testing in respect of the key audit matter of revenue recognition.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the Audit and Risk Committee we were appointed by the parent company on 3 March 2015 to audit the financial statements for the year ending 30 September 2015 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 10 years, covering the years ending 30 September 2015 to 30 September 2024.
- The audit opinion is consistent with the additional report to the Audit and Risk Committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst + Young LLP

Kathryn Barrow (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

19 November 2024

Consolidated income statement

For the year ended 30 September 2024

	Note	2024 £m	2023 £m
Revenue	2.1, 3.1	**2,332**	2,184
Cost of sales		**(168)**	(156)
Gross profit		**2,164**	2,028
Selling and administrative expenses		**(1,712)**	(1,713)
Operating profit	2.2, 3.2, 3.3, 3.6	**452**	315
Finance income	3.5	**19**	12
Finance costs	3.5	**(45)**	(45)
Profit before income tax		**426**	282
Income tax expense	4	**(103)**	(71)
Profit for the year		**323**	211
Profit attributable to:			
Owners of the parent		**323**	211
Earnings per share attributable to the owners of the parent (pence)			
Basic	5	**32.10p**	20.75p
Diluted	5	**31.55p**	20.43p

All operations in the year relate to continuing operations.

Consolidated statement of comprehensive income

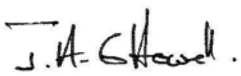
For the year ended 30 September 2024

	Note	2024 £m	2023 £m
Profit for the year		**323**	211
Items of other comprehensive income that will not be reclassified to profit or loss:			
Actuarial loss on post-employment benefit obligations	10, 14.4	**(2)**	–
		(2)	–
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations and net investment hedges	14.3	**(101)**	(82)
Cash flow hedges	14.3	**–**	4
		(101)	(78)
Other comprehensive expense for the year, net of tax		**(103)**	(78)
Total comprehensive income for the year		**220**	133
Total comprehensive income for the year attributable to:			
Owners of the parent		**220**	133

Consolidated balance sheet
As at 30 September 2024

	Note	**2024 £m**	2023 £m
Non-current assets			
Goodwill	6.1	**2,130**	2,245
Other intangible assets	6.2	**219**	274
Property, plant and equipment	7	**108**	104
Equity investments		**6**	4
Trade and other receivables	8.1	**137**	138
Deferred income tax assets	11	**81**	56
Derivative financial instruments	13.5	**29**	1
		2,710	2,822
Current assets			
Trade and other receivables	8.1	**404**	376
Current income tax asset		**16**	42
Cash and cash equivalents (excluding bank overdrafts)	12.3	**508**	696
		928	1,114
Total assets		**3,638**	3,936
Current liabilities			
Trade and other payables	8.2	**(405)**	(378)
Current income tax liabilities		**(26)**	(25)
Borrowings	12.4	**(15)**	(14)
Provisions	9	**(22)**	(23)
Deferred income	8.3	**(758)**	(745)
		(1,226)	(1,185)
Non-current liabilities			
Borrowings	12.4	**(1,231)**	(1,243)
Post-employment benefits	10	**(23)**	(19)
Deferred income tax liabilities	11	**(18)**	(18)
Provisions	9	**(25)**	(24)
Trade and other payables	8.2	**(3)**	(13)
Deferred income	8.3	**(6)**	(7)
Derivative financial instruments	13.5	**(13)**	(20)
		(1,319)	(1,344)
Total liabilities		**(2,545)**	(2,529)
Net assets		**1,093**	1,407
Equity attributable to owners of the parent			
Ordinary shares	14.1	**11**	12
Share premium		**548**	548
Other reserves	14.3	**88**	189
Retained earnings	14.4	**446**	658
Total equity		**1,093**	1,407

The consolidated financial statements on pages 175 to 252 were approved by the Board of Directors on 19 November 2024 and are signed on their behalf by:



Jonathan Howell
Chief Financial Officer

Consolidated statement of changes in equity

For the year ended 30 September 2024

		Attributable to owners of the parent				
	Note	Ordinary shares £m	Share premium £m	Other reserves £m	Retained earnings £m	Total equity £m
At 1 October 2023		**12**	**548**	**189**	**658**	**1,407**
Profit for the year		**–**	**–**	**–**	**323**	**323**
Other comprehensive expense:						
Exchange differences on translating foreign operations and net investment hedges	14.3	**–**	**–**	**(101)**	**–**	**(101)**
Actuarial loss on post-employment benefit obligations	10	**–**	**–**	**–**	**(2)**	**(2)**
Total comprehensive (expense)/income for the year ended 30 September 2024		**–**	**–**	**(101)**	**321**	**220**
Transactions with owners:						
Employee share option scheme—value of employee services including deferred tax	14.4	**–**	**–**	**–**	**62**	**62**
Proceeds from issuance of treasury shares	14.4	**–**	**–**	**–**	**9**	**9**
Cancellation of ordinary shares	14.1, 14.4	**(1)**	**–**	**–**	**1**	**–**
Share buyback programme	14.4	**–**	**–**	**–**	**(351)**	**(351)**
Purchase of shares by Employee Benefit Trust	14.4	**–**	**–**	**–**	**(55)**	**(55)**
Dividends paid to owners of the parent	14.4, 14.5	**–**	**–**	**–**	**(199)**	**(199)**
Total transactions with owners for the year ended 30 September 2024		**(1)**	**–**	**–**	**(533)**	**(534)**
At 30 September 2024		**11**	**548**	**88**	**446**	**1,093**

Consolidated statement of changes in equity

For the year ended 30 September 2023

		Attributable to owners of the parent				
	Note	Ordinary shares £m	Share premium £m	Other reserves £m	Retained earnings £m	Total equity £m
At 1 October 2022		12	548	267	570	1,397
Profit for the year		–	–	–	211	211
Other comprehensive (expense)/income:						
Exchange differences on translating foreign operations and net investment hedges	14.3	–	–	(82)	–	(82)
Cash flow hedges	13.5, 14.3	–	–	4	–	4
Total comprehensive (expense)/income for the year ended 30 September 2023		–	–	(78)	211	133
Transactions with owners:						
Employee share option scheme—value of employee services including deferred tax	14.4	–	–	–	57	57
Proceeds from issuance of treasury shares	14.4	–	–	–	11	11
Purchase of shares by Employee Benefit Trust	14.4	–	–	–	(1)	(1)
Dividends paid to owners of the parent	14.4, 14.5	–	–	–	(190)	(190)
Total transactions with owners for the year ended 30 September 2023		–	–	–	(123)	(123)
At 30 September 2023		12	548	189	658	1,407

Consolidated statement of cash flows

For the year ended 30 September 2024

	Note	**2024 £m**	2023 £m
Cash flows from operating activities			
Cash generated from continuing operations	12.1	**625**	505
Interest paid		**(43)**	(33)
Income tax paid		**(91)**	(85)
Net cash generated from operating activities		**491**	387
Cash flows from investing activities			
Purchase of equity investment		**(2)**	–
Acquisition of subsidiaries, net of cash acquired	15.1	**(30)**	(26)
Purchases of intangible assets		**(18)**	(17)
Purchases of property, plant and equipment	7	**(19)**	(5)
Proceeds from disposals of property, plant and equipment	7	**9**	–
Interest received	3.5	**19**	12
Net cash used in investing activities		**(41)**	(36)
Cash flows from financing activities			
Proceeds from borrowings	12.2	**–**	440
Repayments of borrowings	12.2	**–**	(353)
Capital element of lease payments	12.2	**(16)**	(18)
Borrowing costs		**(1)**	(3)
Share buyback programme	14.4	**(348)**	–
Proceeds from issuance of treasury shares		**9**	11
Purchase of shares by Employee Benefit Trust	14.4	**(55)**	(1)
Dividends paid to owners of the parent	14.5	**(199)**	(190)
Net cash used in financing activities		**(610)**	(114)
Net (decrease)/increase in cash and cash equivalents (before exchange rate movement)		**(160)**	237
Effects of exchange rate movement	12.2	**(28)**	(30)
Net (decrease)/increase in cash and cash equivalents		**(188)**	207
Cash, cash equivalents and bank overdrafts at 1 October	12.2	**696**	489
Cash, cash equivalents and bank overdrafts at 30 September	12.2	**508**	696

Notes to the consolidated financial statements

1 Basis of preparation and accounting estimates and judgements

Accounting policies applicable across the financial statements are shown below. Accounting policies that are specific to a component of the financial statements have been incorporated into the relevant note.

Basis of preparation

The consolidated financial statements of The Sage Group plc. have been prepared in accordance with UK-IFRS in conformity with the requirements of the Companies Act 2006 and also prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

UK-IFRS can differ in certain respects from IFRS as issued by the IASB. The differences have no impact on the Group's consolidated financial statements for the years presented.

The consolidated financial statements have been prepared under the historical cost convention, except where adopted IFRS require an alternative treatment. The principal variations from the historical cost convention relate to derivative financial instruments and equity investments which are measured at fair value. In preparation of the financial statements in the current year, management have removed non-GAAP information (i.e. underlying measures) from the consolidated income statement that were presented in previous years, in order to simplify the report by limiting the primary statements to information prepared under UK-IFRS.

The financial statements of the Group comprise the financial statements of the Company and entities controlled by the Company (its subsidiaries) prepared at the end of the reporting period. The accounting policies have been consistently applied across the Group. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity, which is usually from the date of acquisition.

All figures presented are rounded to the nearest £m, unless otherwise stated.

New or amended accounting standards

There are no accounting standards, amendments, or interpretations effective for the first time this financial year that have had a material impact on the Group. No standards have been early adopted during the year.

The Directors also considered the impact on the Group of new and revised accounting standards, interpretations, or amendments which have been issued but were not effective for the Group for the year ended 30 September 2024.

On 9 April 2024, the IASB issued a new standard, IFRS 18 "Presentation and Disclosure in Financial Statements", which if adopted by the UK Endorsement Board, will be effective for annual reporting periods beginning on or after 1 January 2027. While IFRS 18 will not impact the recognition or measurement of items in the financial statements, it will likely result in changes to how Sage presents certain information. The Group is in the process of assessing the impact that the application of this standard will have on the Group's financial statements when first applied.

No other new or revised accounting standards, interpretations, or amendments which have been issued but were not effective are expected to have a material impact on the Group's financial statements when first applied.

1 Basis of preparation and accounting estimates and judgements continued

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance, and position, are set out in the Strategic Report on pages 1 to 74.

In preparing these financial statements, the Directors have reviewed and approved a going concern assessment which considers the liquidity forecast of the Group for the period through to 31 March 2026 (the going concern assessment period). The liquidity forecast reflects the expected impact of economic conditions on trading, including the current inflationary environment. More specifically, full consideration has been given to the potential risks and uncertainties linked to the changing macroeconomic environment, and the possible impact on the Group's customer base.

In light of this, we note that the Group's operational and financially robust position is supported by:

- High-quality recurring and subscription-based revenue;
- Resilient cash generation and robust liquidity (see note 12), supported by strong underlying cash conversion of 123%, reflecting the strength of the subscription business model; and
- A well-diversified small and medium-sized customer base which is geographically diverse.

In preparing the going concern assessment, scenario-specific stress testing has been performed, with the level of churn assumptions increasing by 75%, and a significant reduction in the level of new customer acquisition and sales to existing customers. Under these scenarios, the Group continues to have sufficient resources to continue in operational existence without the need to seek additional financing. If more severe impacts occur there are further controllable mitigating actions which can be taken to protect liquidity, including the reduction of discretionary spend. Stress testing has also been performed as part of the severe but plausible scenarios (as described within the Viability Statement on pages 73 to 74).

The Directors have also reviewed the results of reverse stress testing performed to provide an illustration of the level of churn and deterioration in new customer acquisition which would be required to exhaust available liquidity down to minimum working capital requirements. The result of the reverse stress testing has highlighted that such a scenario would only arise following a significant deterioration in performance, well in excess of the assumptions considered in the stress testing scenarios above. The probability of these factors occurring is deemed to be remote given the resilient nature of the subscription business model, robust balance sheet, and continued strong cash conversion.

After making enquiries, the Directors have a reasonable expectation that Sage has adequate resources to continue in operational existence throughout the going concern assessment period. Accordingly, the consolidated and Parent Company financial information has been prepared on a going concern basis.

Further details for adopting the going concern basis are set out in the Directors' Report on pages 156 to 161.

1 Basis of preparation and accounting estimates and judgements continued

Foreign currencies

The consolidated financial statements are presented in sterling, which is the functional currency of the Parent Company and the presentation currency for the consolidated financial statements.

Foreign currency transactions are recorded at the rates of exchange prevailing on the dates of the transactions. Foreign currency monetary items are translated at the rates prevailing at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are included in profit or loss for the period, except for foreign currency movements on intercompany balances where settlement is not planned or likely in the foreseeable future, in which case they are recognised in other comprehensive income. Foreign exchange movements on external borrowings and derivative financial instruments which are designated as a hedge of the net investment in its related subsidiaries are recognised in the translation reserve.

The assets and liabilities of the Group's subsidiaries outside the UK are translated into sterling using period-end exchange rates. Income and expense items are translated at the average exchange rates for the period. Where differences arise between these rates, they are recognised in other comprehensive income and the translation reserve. Foreign exchange movements on derivative financial instruments which are designated in cash flow hedge relationships are included in the profit or loss for the period, to offset foreign currency movements in the hedged item.

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in other comprehensive income are recycled in the income statement as part of the gain or loss on sale, with the exception of exchange differences recorded in equity prior to the transition to IFRS on 1 October 2004, in accordance with IFRS 1 "First-time Adoption of International Financial Reporting Standards".

Climate change

In preparing the consolidated financial statements, management has considered the impact of climate change, with particular reference to the disclosures provided in the Strategic Report.

As a business, we are committed to reducing our carbon emissions and target achieving net zero by 2040. We support our customers, small and mid-sized businesses, in achieving net zero by sharing the knowledge, technology and skills to be a driving force for change. We have continued to support more broadly by advocating for enabling policies and standards that support a transition to a low-carbon economy.

We recognise the importance of identifying and effectively managing the physical and transitional risks that climate change poses to our operations and consider the impact of climate-related matters, including legislation, on our business.

The climate change scenario analyses undertaken in line with Task Force on Climate-related Financial Disclosures (TCFD) recommendations did not identify any material impact on the Group's financial results, going concern or viability.
More specifically:

- In preparing the viability assessment, consideration has been given to the potential impact of climate change over the next three years, as set out in the Strategic Report. No material impact has been identified at this stage.
- Climate change-related factors on matters including residual values, useful lives and depreciation and amortisation periods which relate to non-current assets have also been considered, with no impact identified at this stage.
- In our future forecasts used for goodwill impairment and the going concern assessment, we have considered the extent to which costs associated with our climate-related commitments have been considered, as well as broader societal commitments. These commitments do not have a material impact.
- We have also considered the extent to which climate change could impact longer-term economic growth, which may impact long-term growth rates used in the goodwill impairment test. Sensitivity testing demonstrates that all cash-generating units retain sufficient headroom.

1 Basis of preparation and accounting estimates and judgements continued

Accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates and judgements by management. It also requires management to exercise its judgement in the process of applying the accounting policies. We continually evaluate our estimates and judgements based on available information.

Management has determined that there are no areas of estimation uncertainty that could be significant under IAS 1, “Presentation of Financial Statements”, being areas of estimation uncertainty with a significant risk of a material change to the carrying value of assets and liabilities within the next financial year.

Other key estimates are made when preparing the financial statements, which, while not meeting the definition of a significant estimate under IAS 1, involve the measurement of certain material assets or a higher degree of complexity.

Significant judgements are those made by management in applying our accounting policies that have a material impact on the amounts presented in the financial statements.

Management’s rationale in relation to these key accounting estimates and significant judgements are regularly assessed and, where material in value or in risk, are discussed with the Audit and Risk Committee. These areas are discussed in further detail below:

Revenue recognition (judgement)

Over a third of the Company’s revenue is generated from sales to business partners rather than end users. The key judgement is determining whether the business partner is a customer of the Group. The key criterion in this determination is whether the business partner has taken control of the product. Considering the nature of Sage’s subscription products and support services, this is usually assessed based on whether the business partner has responsibility for payment, has discretion to set prices, and takes on the risks and rewards of the product from Sage.

Where the business partner is a customer of Sage, discounts are recognised as a deduction from revenue.

Where the business partner is not a customer of Sage and their part in the sale has simply been in the form of a referral, they are remunerated in the form of a commission payment. These payments are treated as contract acquisition costs (see note 8.1).

Goodwill impairment (estimate)

The estimates applied in calculating the value in use of the cash-generating units being tested for impairment are a source of estimation uncertainty. The key estimates considered in the calculation relate to the future performance expectations of the business and include the average medium-term revenue growth rate, the long-term growth rate of net operating cash flows and the discount rate.

Further information on these key estimates, as well as the level at which goodwill is monitored and the results of sensitivity analysis are disclosed in note 6.1.

Business combinations (judgement and estimate)

When the Group completes a business combination, the consideration transferred for the acquisition and the identifiable assets and liabilities are recognised at their fair values. The amount by which the consideration exceeds the net assets acquired is recognised as goodwill. The application of accounting policies to business combinations involves judgement and the use of estimates.

On 9 September 2024, the Group acquired a 100% controlling interest in Infineo SAS (“Infineo”) which constituted a significant business combination (see note 15.1). The key areas of judgement include the identification and subsequent measurement of acquired intangible assets. However, in line with IFRS 3, the initial accounting for the acquisition of Infineo is provisional as at 30 September 2024. The residual excess of consideration over the net assets acquired has been provisionally recognised as unallocated goodwill. No goodwill is expected to be deductible for tax purposes. Adjustments to provisional amounts will be made within the permitted measurement period where they reflect new information obtained about facts and circumstances that were in existence at the acquisition date. It is expected that the acquisition accounting will be finalised within 12 months.

2 Segment information

This note shows how Group revenue and Group operating profit are generated across the three reportable segments in which we operate as listed in the accounting policy below.

For each reportable segment, revenue and operating profit are compared to prior year in order to understand the movements in the year. This comparison is provided for statutory, underlying, and organic revenue and statutory, underlying, and organic operating profit.

- Statutory results reflect the Group's results prepared in accordance with the requirements of IFRS.
- "Underlying" and "underlying as reported" are non-GAAP measures. Underlying measures are adjusted to exclude items which in management's judgement need to be disclosed separately by virtue of their size, nature or frequency. These measures are considered key measures within the business which aid understanding of the performance for the year and comparability between periods. The items excluded comprise both: a) Recurring items which include purchase price adjustments including amortisation of acquired intangible assets and adjustments made to reduce deferred income arising on acquisitions, acquisition-related items and unhedged FX on intercompany balances; and b) Non-recurring items that management judges to be one-off or non-operational such as gains and losses on the disposal of assets, impairment charges and reversals, and restructuring-related costs. Management applies judgement in determining which items should be excluded from underlying performance. See note 3.6 for details of these adjustments.

In addition, underlying measures are presented on a constant currency basis with prior year amounts translated at current year exchange rates. Prior year underlying amounts at prior year exchange rates are "underlying as reported"; prior year and current year amounts at current year exchange rates are "underlying".

- Organic is a non-GAAP measure. In addition to the adjustments made to the underlying measures, the contributions from discontinued operations, disposals, and assets held for sale of standalone businesses in the current and prior period are removed so that results can be compared to the prior year on a like-for-like basis. Results from acquired businesses are excluded in the year of acquisition. Adjustments are made to the comparative period to present prior period acquired businesses as if these had been part of the Group throughout the prior period. Acquisitions and disposals which occurred close to the start of the opening comparative period where the contribution impact would be immaterial are not adjusted.

In addition, the following reconciliations are made in this note:

- Statutory revenue per segment reconciled to the statutory profit for the year as per the income statement.
- Statutory operating profit per segment reconciled to the statutory operating profit for the year as per the income statement.
- Statutory revenue reconciled to underlying revenue per segment (detailing the adjustments made).
- Statutory operating profit reconciled to underlying operating profit per segment (detailing the adjustments made).

Non-GAAP measures should not be viewed in isolation, nor are considered as a substitute for measures reported in accordance with IFRS.

2 Segment information continued

Accounting policy

In accordance with IFRS 8 "Operating Segments", information for the Group's operating segments has been derived using the information used by the chief operating decision maker. The Group's Executive Leadership Team (ELT) has been identified as the chief operating decision maker, in accordance with their designated responsibility for the allocation of resources to operating segments and assessing their performance through the Monthly Execution & Performance Reviews. The ELT uses organic and underlying data to monitor business performance. Operating segments are reported in a manner which is consistent with the operating segments produced for internal management reporting.

With effect from 1 October 2023, the Group is organised into three key operating segments:

- North America
- United Kingdom, Ireland, Africa and APAC (UKIA)
- Europe

For reporting under IFRS 8, each of the three operating segments above represents a reportable segment.

Prior to this date, the Group was organised into seven operating segments: North America, UK & Ireland, Central Europe (Germany, Austria and Switzerland), France, Iberia (Spain and Portugal), Africa and the Middle East, and Asia (including Australia).

The UKIA operating segment is the aggregation of the previously identified UK & Ireland, Africa and the Middle East, and Asia (including Australia) segments, while the Europe operating segment is the aggregation of the previously identified Central Europe, France and Iberia operating segments. There have been no changes to the North America operating segment.

Two of the reportable segments presented above, North America and Europe, remain consistent with the reportable segments identified in the previous annual financial statements for the year ended 30 September 2023. However in previous years, the UKIA reportable segment was disaggregated and presented as two reportable segments, UK & Ireland and Africa & APAC.

Therefore, the financial data presented in the following tables for the comparative period (year ended 30 September 2023) has been restated to aggregate the two historic reportable segments into the newly identified UKIA.

Segment reporting

The tables overleaf show a segmental analysis of the results for continuing operations.

The revenue analysis in the table overleaf is based on the location of the customer, which is not materially different from the location where the order is received and where the assets are located.

Revenue categories are defined in note 3.1.

2 Segment information continued
2.1 Revenue by segment

	Year ended 30 September 2024					Change		
	Statutory £m	Underlying adjustments £m	Underlying £m	Organic adjustments £m	Organic £m	Statutory	Underlying	Organic
Recurring revenue by segment								
North America	**1,028**	**–**	**1,028**	**–**	**1,028**	9%	13%	12%
UKIA	**655**	**–**	**655**	**–**	**655**	7%	8%	8%
Europe	**574**	**–**	**574**	**–**	**574**	6%	8%	8%
Recurring revenue	**2,257**	**–**	**2,257**	**–**	**2,257**	8%	10%	10%
Other revenue by segment								
North America	**24**	**–**	**24**	**–**	**24**	(15%)	(12%)	(12%)
UKIA	**15**	**–**	**15**	**–**	**15**	(4%)	(1%)	(1%)
Europe	**36**	**–**	**36**	**–**	**36**	(15%)	(14%)	(14%)
Other revenue	**75**	**–**	**75**	**–**	**75**	(13%)	(11%)	(11%)
Total revenue by segment								
North America	**1,052**	**–**	**1,052**	**–**	**1,052**	8%	12%	12%
UKIA	**670**	**–**	**670**	**–**	**670**	7%	8%	8%
Europe	**610**	**–**	**610**	**–**	**610**	5%	6%	6%
Total revenue	**2,332**	**–**	**2,332**	**–**	**2,332**	7%	9%	9%

	Year ended 30 September 2024					Change		
	Statutory £m	Underlying adjustments £m	Underlying £m	Organic adjustments £m	Organic £m	Statutory	Underlying	Organic
Total recurring revenue by type								
Software Subscription Revenue	**1,910**	**–**	**1,910**	**–**	**1,910**	10%	13%	13%
Other Recurring Revenue	**347**	**–**	**347**	**–**	**347**	(5%)	(2%)	(2%)
Recurring revenue	**2,257**	**–**	**2,257**	**–**	**2,257**	8%	10%	10%
Other revenue	**75**	**–**	**75**	**–**	**75**	(13%)	(11%)	(11%)
Total revenue	**2,332**	**–**	**2,332**	**–**	**2,332**	7%	9%	9%

Notes to the consolidated financial statements continued

2 Segment information continued

2.1 Revenue by segment continued

	Year ended 30 September 2023 (Restated)						
	Statutory £m	Underlying adjustments £m	Underlying as reported £m	Impact of foreign exchange £m	Underlying £m	Organic adjustments* £m	Organic £m
Recurring revenue by segment							
North America	944	–	944	(31)	913	1	914
UKIA**	611	–	611	(7)	604	–	604
Europe	541	–	541	(10)	531	–	531
Recurring revenue	2,096	–	2,096	(48)	2,048	1	2,049
Other revenue by segment							
North America	29	–	29	(2)	27	–	27
UKIA**	16	–	16	–	16	–	16
Europe	43	–	43	(1)	42	–	42
Other revenue	88	–	88	(3)	85	–	85
Total revenue by segment							
North America	973	–	973	(33)	940	1	941
UKIA**	627	–	627	(7)	620	–	620
Europe	584	–	584	(11)	573	–	573
Total revenue	2,184	–	2,184	(51)	2,133	1	2,134

	Year ended 30 September 2023						
	Statutory £m	Underlying adjustments £m	Underlying as reported £m	Impact of foreign exchange £m	Underlying £m	Organic adjustments* £m	Organic £m
Total recurring revenue by type							
Software Subscription Revenue	1,732	–	1,732	(38)	1,694	1	1,695
Other Recurring Revenue	364	–	364	(10)	354	–	354
Recurring revenue	2,096	–	2,096	(48)	2,048	1	2,049
Other revenue	88	–	88	(3)	85	–	85
Total revenue	2,184	–	2,184	(51)	2,133	1	2,134

Notes:

* Adjustments relate to the acquisition of Corecon in the previous year.

** Previously disaggregated into two reportable segments, i) UK & Ireland and ii) Africa & APAC.

2 Segment information continued

2.2 Operating profit by segment

	Year ended 30 September 2024					Change		
	Statutory £m	**Underlying adjustments £m**	**Underlying £m**	**Organic adjustments £m**	**Organic £m**	Statutory	Underlying	Organic
Operating profit by segment								
North America	**192**	**43**	**235**	**–**	**235**	51%	26%	26%
UKIA	**155**	**33**	**188**	**–**	**188**	94%	37%	37%
Europe	**105**	**1**	**106**	**–**	**106**	(3%)	(7%)	(7%)
Total operating profit	**452**	**77**	**529**	**–**	**529**	43%	21%	21%

	Year ended 30 September 2023 (Restated)						
	Statutory £m	Underlying adjustments £m	Underlying as reported £m	Impact of foreign exchange £m	Underlying £m	Organic adjustments £m	Organic £m
Operating profit by segment							
North America	127	71	198	(11)	187	–	187
UKIA*	80	60	140	(3)	137	–	137
Europe	108	10	118	(4)	114	–	114
Total operating profit	315	141	456	(18)	438	–	438

Note:

* Previously disaggregated into two reportable segments, i) UK & Ireland and ii) Africa & APAC.

The results by segment from continuing operations were as follows:

Year ended 30 September 2024	Note	**North America £m**	**UKIA £m**	**Europe £m**	**Group £m**
Revenue		**1,052**	**670**	**610**	**2,332**
Segment statutory operating profit		**192**	**155**	**105**	**452**
Finance income	3.5				**19**
Finance costs	3.5				**(45)**
Profit before income tax					**426**
Income tax expense	4				**(103)**
Profit for the year					**323**

2 Segment information continued

2.2 Operating profit by segment continued

Reconciliation of underlying operating profit to statutory operating profit:

Year ended 30 September 2024	Note	North America £m	UKIA £m	Europe £m	Group £m
Underlying operating profit		**235**	**188**	**106**	**529**
Amortisation of acquired intangible assets	3.6	**(24)**	**(20)**	**(4)**	**(48)**
Other acquisition-related items	3.6	**(19)**	**(13)**	**(2)**	**(34)**
Non-recurring items	3.6	**–**	**–**	**5**	**5**
Statutory operating profit		**192**	**155**	**105**	**452**

The results by segment from continuing operations were as follows:

Year ended 30 September 2023 (Restated)	Note	North America £m	UKIA* £m	Europe £m	Group £m
Revenue		973	627	584	2,184
Segment statutory operating profit		127	80	108	315
Finance income	3.5				12
Finance costs	3.5				(45)
Profit before income tax					282
Income tax expense	4				(71)
Profit for the year					211

Reconciliation of underlying operating profit to statutory operating profit:

Year ended 30 September 2023 (Restated)	Note	North America £m	UKIA* £m	Europe £m	Group £m
Underlying operating profit as reported		198	140	118	456
Amortisation of acquired intangible assets	3.6	(26)	(25)	(3)	(54)
Other acquisition-related items	3.6	(19)	(29)	(1)	(49)
Non-recurring items	3.6	(26)	(6)	(6)	(38)
Statutory operating profit		127	80	108	315

Note:

* Previously disaggregated into two reportable segments, i) UK & Ireland and ii) Africa & APAC.

No impairment losses are reported by the Group during the year. In the prior year, impairment losses of £22m reported by the Group, and included as a non-recurring item, relate to the impairment of assets arising from the property restructuring programme. See note 3.6.

2 Segment information continued

2.3 Analysis by geographic location

Management considers countries which generate 10% or more of total Group revenue to be material. Additional disclosures have been provided below to show the proportion of revenue from these countries.

Revenue by individually significant countries	2024 £m	2023 £m
USA	**918**	846
UK	**479**	443
France	**309**	295
Other individually immaterial countries	**626**	600
	2,332	2,184

Management considers countries which contribute 10% or more to total Group non-current assets to be material. Additional disclosures have been provided below to show the proportion of non-current assets from these countries.

Non-current assets presented below exclude deferred tax assets and financial instruments.

Non-current assets by geographical location	2024 £m	2023 £m
USA	**1,491**	1,657
UK	**551**	566
France	**279**	264
Other individually immaterial countries	**268**	270
	2,589	2,757

3 Profit before income tax

This note sets out the Group's profit before tax, by looking in more detail at the key operating costs, including a breakdown of the costs incurred as an employer, research and development costs, the cost of the external audit of the Group's financial statements, and finance costs. This note also sets out the Group's revenue recognition policy.

In addition, this note explains the accounting applied to leases entered into by the Group as a lessee and analyses the amounts recognised for leases on the balance sheet and in the income statement.

This note also provides a breakdown of any material recurring and non-recurring items that have been reported separately on the face of the income statement.

3 Profit before income tax continued
3.1 Revenue

Accounting policy
The Group reports revenue under two revenue categories and the basis of recognition for each category is described below:

Category and examples	Accounting treatment
Recurring revenue *Subscription revenue* *Other recurring revenue*	Recurring revenue is revenue earned from customers for the provision of a good or service over a contractual term, with the customer being unable to continue to benefit from the full functionality of the good or service without ongoing payments. Subscription revenue is recurring revenue earned from customers for the provision of a good or service over a contractual term. In the event that the customer stops paying, they lose the legal right to use the software, and the Group has the ability to restrict the use of the product or service. Other recurring revenue primarily comprises maintenance and support revenue provided over a contractual term. In the event that the customer stops paying, they lose access to technical product support as well as any non-specified updates, upgrades and enhancements. Other recurring revenue also includes transaction and agent fees for transactional services which are billed on a consumption or per-unit basis. Subscription revenue and other recurring revenue are usually recognised on a straight-line basis over the term of the contract as control is transferred to the customer (including non-specified upgrades, when included). An exception is revenue from term licences embedded within a subscription contract for software with significant standalone functionality which are expected to recur upon renewal of the subscription offering. Revenue for these term licences is recognised when control is transferred at inception of each subscription contract period. Further, revenue billed on a consumption or per-unit basis is recognised as the services are utilised.
Other revenue *Software and software-related services* • Perpetual software licences • Upgrades to perpetual licences • Professional services • Training	Revenue relating to perpetual software licences with significant standalone functionality and upgrades to such licenses is recognised when the control relating to the licence has been transferred, which is typically when electronic delivery has taken place. Professional services and training revenue is usually recognised when delivered, or by reference to the stage of completion of the transaction at the end of the reporting period. This assessment is made by comparing the proportion of contract costs incurred to date to the total expected costs to completion.

Identification of performance obligations
When the Group enters into an agreement with a customer, goods and services deliverable under the contract are identified as separate performance obligations to the extent that the customer can benefit from the goods or services on their own and that the separate goods and services are considered distinct from other goods and services in the agreement. Where individual goods and services do not meet the criteria to be identified as separate performance obligations, they are aggregated with other goods and/or services in the agreement until a separate performance obligation is identified.

Typically, the products and services outlined in the categories of revenue section qualify as separate performance obligations and the portion of the contractual fee allocated (or allocated based on the standalone selling prices) to them is recognised separately. However, certain on-premise subscription contracts, which combine the delivery of on-premise software and maintenance and support services, require unbundling. Sage's cloud native services do not require unbundling as the terms do not provide the customer with a right to terminate the hosting contract and take possession of the software.

3 Profit before income tax continued
3.1 Revenue continued

Determination of transaction price and standalone selling prices
The Group determines the transaction price it is entitled to in return for providing the promised obligations to the customer based on the committed contractual amounts, net of sales taxes and discounts. Contract terms generally are monthly or annual, and customers either pay up-front or over the term of the related service agreement.

The transaction price is allocated between the identified obligations according to the relative standalone selling prices (SSPs) of the performance obligations. The SSP of each performance obligation deliverable in the contract is determined according to the prices that the Group would obtain by selling the same goods and/or services included in the performance obligation to a similar customer on a standalone basis. The Group has established a hierarchy to identify the SSPs that are used to allocate the transaction price of a customer contract to the performance obligations in the contract. Where SSPs for on-premise offerings are observable and consistent across the customer base, SSP estimates are derived from pricing history. Where there are no directly observable estimates available, comparable products are utilised as a basis of assessment or the residual approach is used. Under the residual approach, the SSP for the offering is estimated to be the total transaction price less the sum of the observable SSPs of other goods or services in the contract.

Timing of recognition
Revenue is recognised when the respective performance obligations in the contract are delivered to the customer and payment remains probable.

- Licences for standard on-premise software products are typically delivered by providing the customer with access to download the software. The licence period starts when such access is granted and the customer therefore has control over the software. For licences which are dependent on updates for ongoing functionality, the Group recognises revenue rateably over the term of the contract. Typically, this includes our payroll and tax compliance software.
- Where the Group's performance obligation is the grant of a right to continuously access a cloud offering for a certain term, revenue is recognised rateably over the term of the contract.
- Maintenance and support revenue is typically recognised based on time elapsed and thus rateably over the term of the support arrangement. Typically, the Group's performance obligation is to stand ready to provide technical product support and unspecified updates, upgrades, and enhancements on a when-and-if-available basis. The customers simultaneously receive and consume the benefits of these services.
- Professional services and classroom training revenue are typically recognised as they are delivered. Where the Group stands ready to provide the service (such as access to learning content), revenue is recognised based on time elapsed and thus rateably over the service period.
- Consumption-based services are recognised as the services are utilised.

Identification of contract with the customer
When the Group sells goods or services through a business partner, a key consideration is determining whether the business partner or the end user is Sage's customer. The key criterion in this determination is whether the business partner has taken control of the product. Considering the nature of Sage's subscription products and support services, this is usually assessed based on whether the business partner has responsibility for payment, has discretion to set prices, and takes on the risks and rewards of the product from Sage. See "Accounting estimates and judgements" in note 1 for details.

3 Profit before income tax continued

3.1 Revenue continued

Principal versus agent considerations

When the Group has control of third-party goods or services prior to delivery to a customer, then the Group is the principal in the sale to the customer. As a principal, receipts from customers and payments to suppliers are reported on a gross basis in revenue and cost of sales.

If the Group does not have control of third-party goods or services prior to transfer to a customer, then the Group is acting as an agent for the supplier and revenue in respect of the relevant obligations is recognised net of any related payments to the supplier and reported revenue represents the margin earned by the Group.

Whether the Group is considered to be the principal or an agent in the transaction depends on analysis by management of both the legal form and substance of the agreement between the Group and its supplier. This takes into account whether Sage bears the price, inventory, and performance risks associated with the transaction.

Practical expedients

As the majority of contracts have a term of one year or less, the Group has applied the following practical expedients:

- The aggregate transaction price allocated to the unsatisfied or partially unsatisfied performance obligations at the end of the reporting period is not disclosed.
- Any financing component is not considered when determining the transaction price.

3.2 Operating profit

Accounting policy

Cost of sales includes items such as third-party royalties, hosting costs, transaction, and credit card fees related to the provision of payment processing services and the cost of hardware and inventories. These also include the third-party costs of providing training and professional services to customers. All other operating expenses incurred in the ordinary course of business are recorded in selling and administrative expenses.

The following items have been included in arriving at operating profit from continuing operations	Note	2024 £m	2023 £m
Staff costs		**1,006**	1,048
Depreciation of property, plant and equipment	7	**29**	39
Impairment of property, plant and equipment	3.6, 7	**–**	22
Amortisation of intangible assets	6.2	**67**	69
Customer acquisition amortisation expense	8.1	**157**	147
Other M&A activity-related items	3.6	**34**	49

The Group incurred £344m (2023: £342m) of research and development expenditure in the year, of which £300m (2023: £295m) relates to total Group staff costs included above. See note 6.2 for the research and development accounting policy.

Services provided by the Group's auditor and network firms

During the year, the Group obtained the following services from the Group's auditor at costs as detailed below:

	2024 £m	2023 £m
Fees payable to the Group's auditor for the audit of the Company and the consolidated accounts	**3**	3
Fees payable to the Group's auditor for the audit of the Company's subsidiaries	**3**	3
Total fees	**6**	6

Fees payable to the Group's auditor for audit-related assurance services (including costs relating to the half-year review) and other non-audit services were £nil (2023: £nil).

A summary of the Board's policy in respect of the procurement of non-audit services for the Group's auditor is set out on pages 114 and 115.

3 Profit before income tax continued
3.3 Employees and Directors

Average monthly number of people employed (including Directors)	2024 number	2023 number
By segment:		
North America	**2,662**	2,823
UKIA*	**5,008**	5,252
Europe	**3,326**	3,490
	10,996	11,565

Note:

* Previously disaggregated into two reportable segments, i) UK & Ireland and ii) Africa & APAC.

Staff costs (including Directors on service contracts)	Note	2024 £m	2023 £m
Wages and salaries		**907**	922
Social security costs		**118**	119
Post-employment benefits	10	**31**	30
Share-based payments	14.2	**56**	49
		1,112	1,120

Staff costs include a total of £67m of capitalised commission costs which are amortised over the expected contract life including probable contract renewals (2023: £72m); see note 8.1.

Key management compensation	2024 £m	2023 £m
Salaries and short-term employee benefits	**12**	10
Share-based payments	**8**	7
	20	17

Key management personnel are deemed to be members of the Group's Executive Leadership Team and the Non-executive Directors as shown on pages 78 to 81.

3 Profit before income tax continued

3.4 Leases

Accounting policy

The Group as lessee

The Group recognises lease assets and lease liabilities on the balance sheet for most of its leases to account for the right to use leased items and the obligation to make future lease payments. Lease liabilities are measured at the present value of future lease payments over the lease term. The lease term is determined as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if the option is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if the option is reasonably certain not to be exercised. Lease payments normally include fixed payments (including in-substance fixed payments), a deduction for any lease incentives receivable and variable lease payments that depend on an index or a rate. In the event that a lease includes an exercise price for a purchase option that is reasonably certain to be exercised, or a termination penalty that is reasonably certain to be incurred, these too are included in lease payments as are any amounts expected to be paid under any residual value guarantees. Variable lease payments that do not depend on an index or a rate are not included in the lease liability but are recognised as an expense when incurred.

Lease payments are discounted using the incremental borrowing rate applicable to the lease at the lease commencement date, as the rate implicit in the lease cannot normally be readily determined. Lease assets are recognised at the amount of the lease liability, adjusted where applicable for any lease payments made or lease incentives received before commencement of the lease, direct costs incurred at the commencement of the lease and estimated restoration costs to be incurred at the end of the lease.

Right-of-use assets are presented within property, plant and equipment, and depreciated on a straight-line basis over the shorter of their useful life and the lease term. Their carrying amounts are measured at cost less accumulated depreciation and impairment losses. Lease liabilities are presented within current and non-current borrowings. Over the lease term, the carrying amounts of lease liabilities are increased to reflect interest on the liability and reduced by the amount of lease payments made. A lease liability is remeasured if there is a modification, a change in the lease term or a change in lease payments. The costs of these leases are recognised in the income statement split between the depreciation of the lease asset and the interest charge on the lease liability. Depreciation is presented within selling and administrative expenses and interest charges within finance costs.

This policy applies mainly to the Group’s leases for properties and vehicles. For short-term leases with a lease term of 12 months or less and leases of low-value items, the Group has elected to apply the exemptions available under the standard. For these leases, rentals payable are charged to the income statement on a straight-line basis as an operating expense presented within selling and administrative expenses. Where rent payments are prepaid or accrued, their balances are reported under prepayments and accruals respectively. The low-value exemption has been applied to most of the Group’s leases of IT and other office equipment.

The Group leases various offices and vehicles under non-cancellable lease agreements. Leases of properties have a range of lease terms, up to a maximum of 15 years. Other leases are generally for lease terms of 3 or 4 years. Property leases include various contractual terms, most commonly variable lease payments and termination and extension options.

3 Profit before income tax continued

3.4 Leases continued

The carrying amounts of right-of-use assets and their movements during the year are presented in note 7.

The carrying amounts of lease liabilities and their movements during the year are below.

	Note	**2024 £m**	2023 £m
At 1 October		**86**	95
• Additions		**24**	15
• Disposals		**–**	(1)
• Interest charge in the year		**2**	3
• Payment of lease liabilities		**(18)**	(21)
• Exchange movement		**(4)**	(5)
At 30 September		**90**	86
Presented as:			
Borrowings—current	12.4	**15**	14
Borrowings—non-current	12.4	**75**	72

The maturity analysis of lease liabilities is included in note 13.2.

Amounts recognised in profit and loss for leases are as follows:

	Note	**2024 £m**	2023 £m
Depreciation of right-of-use assets		**14**	19
Impairment of right-of-use assets		**–**	19
Interest expense charge on lease liabilities	3.5	**2**	3
Lease expense from short-term leases and leases of low-value assets (included in selling and administrative expenses)		**5**	5
		21	46

Total cash outflows for leases in the year, including interest payments and outflows related to short-term leases and leases of low-value assets, was £23m (2023: £26m). Cash flows in relation to short-term leases and leases of low value assets are reported as part of cash flows from operating activities.

In the prior year, impairment of right-of-use assets of £19m related to property restructuring costs, with an additional £3m of impairment costs incurred for other related fixed assets (see note 3.6).

The Group is exposed to potential future increases in variable lease payments that are based on an index or rate, which are initially measured as at the commencement date, with any future changes in the index or rate excluded from the lease liability until they take effect. If adjustments to lease payments based on an index or rate take effect, the lease liability will be reassessed and adjusted against the right-of-use asset.

3 Profit before income tax continued
3.5 Finance income and costs

Accounting policy

Finance income and costs are recognised using the effective interest method. Finance costs are recognised in the income statement simultaneously with the recognition of an increase in a liability or the reduction in an asset. Derivative financial instruments are measured at fair value through profit or loss, within finance income and costs, unless they are designated as a hedging instrument.

Where derivative financial instruments have been designated as hedging instruments in a cash flow hedge, and the hedging relationship is effective, gains and losses on those instruments are accumulated in the cash flow hedge reserve. The amount accumulated in the hedging reserve is reclassified to finance income or costs in the same period or periods during which the expected future cash flows affect the profit or loss. Any ineffective portion of changes in the fair value of the derivative financial instrument is recognised immediately in finance income or costs.

Where derivative financial instruments have been designated as hedging instruments in a net investment hedge, gains or losses on those instruments are recognised in finance income and costs only to the extent the hedging relationship is ineffective. Where the hedging relationship is effective, gains or losses are accumulated in the foreign currency translation reserve.

Foreign currency movements on intercompany balances are recognised in the profit and loss account unless settlement is not planned or likely in the foreseeable future, in which case they are recognised in other comprehensive income.

	2024 £m	2023 £m
Finance income:		
Interest income on short-term deposits	**19**	12
Finance income	**19**	12
Finance costs:		
Finance costs on bond notes	**(37)**	(31)
Finance costs on US senior loan notes	**–**	(6)
Finance costs on bank borrowings	**(4)**	(4)
Interest charge on lease liabilities	**(2)**	(3)
Amortisation of issue costs	**(2)**	(1)
Finance costs	**(45)**	(45)
Finance costs—net	**(26)**	(33)

3 Profit before income tax continued
3.6 Adjustments between underlying and statutory results

Accounting policy
The business is managed and measured on a day-to-day basis using underlying results. To arrive at underlying results, certain adjustments are made for items that are individually important (due to their size, nature, or frequency).

Management applies judgement in determining which items should be excluded from underlying performance.

Recurring items
These are items which occur regularly, but the exclusion of which management considers necessary to aid understanding of the underlying results of the Group. These items mainly relate to merger and acquisition (M&A) related-activity. By its nature, M&A activity is variable in its impact but is likely to include amortisation of acquired intangible assets, adjustments to acquired deferred income and acquisition and disposal-related costs, including integration costs relating to an acquired business and acquisition-related remuneration (which are typically incurred over a period of one year or more). Unhedged foreign currency movements on intercompany balances that are charged through the income statement are excluded from underlying results, so that exchange rate impacts do not affect comparisons. Recurring items are adjusted each year irrespective of materiality to ensure consistent treatment.

Non-recurring items
These are items which are non-recurring and are adjusted on the basis of either their size or their nature. These items can include, but are not restricted to, gains and losses on the disposal of assets, impairment charges and reversals, and restructuring-related costs. Whilst these items are described as non-recurring, similar costs, for example in relation to different restructuring programmes or impairments of other assets, may arise in future periods. As these items are one-off or non-operational in nature, management considers that their exclusion aids understanding of the Group's underlying business performance.

	Operating profit 2024 £m	**Profit before tax 2024 £m**	Operating profit 2023 £m	Profit before tax 2023 £m
Statutory measures	**452**	**426**	315	282
Recurring				
• Amortisation of acquired intangibles	**48**	**48**	54	54
• Other M&A activity-related items	**34**	**34**	49	49
• Foreign currency movements on intercompany balances	**–**	**(1)**	–	1
Non-recurring				
• Reversal of employee-related costs	**(3)**	**(3)**	9	9
• Reversal of restructuring costs	**(2)**	**(2)**	(3)	(3)
• Property restructuring costs	**–**	**–**	32	32
Underlying (as reported) measures	**529**	**502**	456	424

3 Profit before income tax continued

3.6 Adjustments between underlying and statutory results continued

Recurring items

Acquired intangibles are assets which have previously been recognised as part of business combinations or similar transactions. These assets are predominantly customer relationships and technology rights. Further details including specific accounting policies in relation to these assets can be found in note 6.2.

Other M&A activity-related items relate to advisory, legal, accounting, valuation, and other professional or consulting services which are related to M&A activity as well as acquisition-related remuneration and directly attributable integration costs. £5m (2023: £18m) of these costs have been paid in the year, while the remainder is expected to be paid in subsequent financial years.

Foreign currency movements on intercompany balances occur due to retranslation of unhedged intercompany balances other than those where settlement is not planned or likely in the foreseeable future and resulted in a gain of £1m (2023: loss of £1m).

Non-recurring items

Net credits in respect of non-recurring items amounted to £5m (2023: net charge £38m).

Reversal of employee-related costs of £3m (2023: charge of £9m) relates to a charge for French payroll taxes relating to previous years.

Reversal of restructuring costs of £2m (2023: £3m) largely relates to an unutilised provision recognised in 2021.

Property restructuring costs in the prior year related to the reorganisation of a number of leased properties following a strategic review of the Group's property portfolio. Costs of £32m consisted of impairment of £22m of right-of-use assets and other related fixed assets that are no longer in use as well as a provision for directly attributable future running costs associated with the properties.

See note 4 for the tax impact of these adjustments.

4 Income tax expense

This note analyses the tax expense for this financial year which includes both current and deferred tax. Current tax expense represents the amount payable on this year's taxable profits and any adjustments relating to prior years. Deferred tax is an accounting adjustment to recognise liabilities or benefits that are expected to arise in the future due to differences between the carrying values of assets and liabilities and their respective tax bases.

This note outlines the tax accounting policies, analyses the current and deferred tax expenses in the year and presents a reconciliation between profit before tax in the income statement multiplied by the UK rate of corporation tax and the tax expense for the year.

Accounting policy

The taxation expense for the year represents the sum of current tax and deferred tax. The expense is recognised in the income statement, in the statement of comprehensive income or in equity according to the accounting treatment of the related transaction.

Current tax is based on the taxable income for the period and any adjustment in respect of prior periods. Current tax is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax arises due to certain temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases (note 11).

Analysis of expense in the year	Note	2024 £m	2023 £m
Current income tax			
Current tax on profit for the year		**126**	106
Adjustment in respect of prior years		**(1)**	(5)
Current income tax		**125**	101
Deferred tax			
Origination and reversal of temporary differences		**(21)**	(33)
Adjustment in respect of prior years		**(1)**	3
Deferred tax	11	**(22)**	(30)
The current year tax expense is split into the following:			
Underlying tax expense		**120**	95
Tax credit on adjustments between the underlying and statutory operating profit		**(17)**	(24)
Income tax expense reported in income statement		**103**	71

A deferred tax benefit of £2m (2023: £nil) relating to foreign currency derivatives and a benefit of £1m (2023: £nil) relating to employee benefits have been recognised directly in other comprehensive income.

A current tax charge of £2m relating to foreign currency derivatives has been recognised directly in other comprehensive income (2023: charge £1m).

A current tax benefit of £7m (2023: benefit £1m) and a deferred tax charge of £1m (2023: benefit £6m) relating to employee benefits have been recognised in retained earnings.

4 Income tax expense continued

The effective tax rate for the year is lower (2023: higher) than the rate of UK corporation tax applicable to the Group of 25% (2023: 22%). The differences are explained below:

	2024 £m	2023 £m
Profit before income tax	**426**	282
Statutory profit before income tax multiplied by the rate of UK corporation tax of 25% (2023: 22%)	**106**	62
Tax effects of:		
Adjustments in respect of prior years	**(2)**	(2)
Foreign tax rates in excess of UK rate of tax	**1**	10
US tax reform	**(4)**	(5)
Non-deductible expenses and permanent items	**13**	12
Other corporate taxes (withholding tax, business tax)	**5**	6
Tax incentive claims	**(16)**	(16)
Corporate restructuring	**–**	4
At the effective income tax rate of 24% (2023: 25%)	**103**	71
Income tax expense reported in the income statement	**103**	71

The underlying effective tax rate for the year is lower (2023: higher) than the rate of UK corporation tax applicable to the Group of 25% (2023: 22%). The differences are explained below:

	2024 £m	2023 £m
Underlying profit before income tax	**502**	424
Underlying profit before income tax multiplied by the rate of UK corporation tax of 25% (2023: 22%)	**125**	93
Tax effects of:		
Adjustments in respect of prior years	**(3)**	(3)
Foreign tax rates in excess of UK rate of tax	**1**	13
US tax reform	**(4)**	(5)
Non-deductible expenses and permanent items	**12**	7
Other corporate taxes (withholding tax, business tax)	**5**	6
Tax incentive claims	**(16)**	(16)
At the effective income tax rate of 24% (2023: 23%)	**120**	95
Underlying tax expense	**120**	95

The effective tax rate on statutory profit before tax was 24% (2023: 25%), whilst the effective tax rate on underlying profit before tax on continuing operations was 24% (2023: 23%).

The underlying effective tax rate is lower than the UK corporation tax rate applicable to the Group, primarily due to the innovation tax credits for registered patents and software, and research and development activities which attract government tax incentives in a number of operating territories.

The Group recognises certain provisions and accruals in respect of tax which involve a degree of estimation and uncertainty where the tax treatment cannot finally be determined until a resolution has been reached by the relevant tax authority. This approach resulted in a provision of £39m at 30 September 2024 (2023: £31m, of which £5m related to associated interest costs that have been transferred to provisions in the current year; see note 9). The tax provision increased in the year principally due to developments in the Group's tax audits.

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4 Income tax expense continued

The tax provision is sensitive to a number of issues which are not always within the control of the Group and are often dependent on the efficiency of the legal processes in the relevant taxing jurisdictions in which the Group operates. Issues can take many years to resolve and assumptions on the likely outcome have therefore been made by management.

Management has applied the principles set out in IFRIC 23 in determining the measurement of uncertain tax positions. In making these estimates, management's judgement was based on various factors including:

- The status of recent and current tax audits and enquiries;
- The results of previous claims; and
- Any changes to the relevant tax environment.

When making this assessment, the Group utilises our specialist in-house tax knowledge and experience of similar situations. These judgements also, where appropriate, take into consideration specialist tax advice provided by third-party advisors.

Management continually assesses the impact of legislative developments in the jurisdictions in which we operate. The Group expects its effective tax rate to increase by 1% in the medium term, depending on our future geographic profit mix and the level of our innovation tax credits. The OECD's Pillar Two global tax reform will apply to the Group from the financial year ended 30 September 2025. An initial assessment of this legislation has been completed and it is not expected to materially impact the Group's effective tax rate in future periods.

EU State Aid

The Group continues to monitor developments following the EU Commission's decision published on 25 April 2019 that the UK's Controlled Foreign Company regime does not comply with EU State Aid rules in certain circumstances. In the financial year ended 30 September 2021, the Group made a payment to HMRC of £10m following the EU Commission's decision.

On 8 June 2022, the EU General Court dismissed the UK Government's appeal and ruled in favour of the EU. Management therefore reassessed the Group's position on this matter in the financial year ended 30 September 2023 and concluded that it was more likely than not that the EU Commission's decision would be upheld. As such the £10m advance payment was recorded as a payment against a corresponding tax provision.

On 19 September 2024, the Court of Justice of the European Union (CJEU) issued a judgement annulling the EU Commission's decision. As a result of the CJEU judgement, the UK Government is now expected to bring forward legislation to return payments previously made by affected taxpayers.

Following the CJEU judgement, the Group, in accordance with IFRIC 23, has recognised a £10m receivable on the expectation that the charge will be repaid in due course. This recognition of the £10m receivable is offset by an increase of a tax provision of a similar amount for a separate but related matter, with no net impact on the income statement.

Notes to the consolidated financial statements continued

5 Earnings per share

This note sets out how earnings per share (EPS) is calculated. EPS is the amount of post-tax profit attributable to each ordinary share. Diluted EPS shows what the impact would be if all potentially dilutive ordinary shares in respect of exercisable share options were exercised and treated as ordinary shares at the year end.

This note also provides a reconciliation between the statutory profit figure, which ties to the consolidated income statement, and the Group's internal measure of performance, underlying profit. See note 3.6 for details of the adjustments made between statutory and underlying profit before tax and note 4 for the tax impact on these adjustments.

Accounting policy

Basic earnings per share is calculated by dividing the profit for the year attributable to owners of the parent by the weighted average number of ordinary shares in issue during the year, excluding those held as treasury shares and held by the Employee Benefit Trust, which are treated as cancelled, until reissued.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares, exercisable at the end of the year. The Group has one class of dilutive potential ordinary shares which are share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year, where the vesting criteria are achieved at year end.

Reconciliations of the earnings and weighted average number of shares	**Underlying 2024**	Underlying as reported* 2023	Underlying 2023	**Statutory 2024**	Statutory 2023
Earnings attributable to owners of the parent** (£m)					
Profit for the year	**382**	329	315	**323**	211
Number of shares (millions)					
Weighted average number of shares	**1,007**	1,020	1,020	**1,007**	1,020
Dilutive effects of shares	**18**	16	16	**18**	16
	1,025	1,036	1,036	**1,025**	1,036
Earnings per share attributable to owners of the parent** (pence)					
Basic earnings per share	**37.91**	32.25	30.92	**32.10**	20.75
Diluted earnings per share	**37.25**	31.75	30.44	**31.55**	20.43

Notes:

* Underlying as reported is at 2023 reported exchange rates.

** All operations in the years relate to continuing operations.

5 Earnings per share continued

Reconciliation of earnings	2024 £m	2023 £m
Statutory profit for the year attributable to owners of the parent	**323**	211
Adjustments:		
• Amortisation of acquired intangible assets	**48**	54
• Other M&A activity-related items	**34**	49
• Property restructuring costs	**–**	32
• Reversal of employee-related costs	**(3)**	9
• Reversal of restructuring costs	**(2)**	(3)
• Foreign currency movements on intercompany balances	**(1)**	1
• Taxation on adjustments between underlying and statutory profit before tax	**(17)**	(24)
Net adjustments	**59**	118
Underlying profit for the year (before exchange movement)	**382**	329
Exchange movement	**–**	(18)
Taxation on exchange movement	**–**	4
Net exchange movement	**–**	(14)
Underlying profit for the year (after exchange movement) attributable to owners of the parent	**382**	315

Exchange movement relates to the retranslation of prior year results to current year exchange rates, as shown in the table on page 61 within the Financial Review.

6 Intangible assets

This note provides details of the non-physical assets used by the Group to generate revenues and profits. These assets include items such as goodwill, and other intangible assets such as brands, customer relationships, computer software, in-process R&D and technology which have predominantly been acquired as part of business combinations. These assets are initially measured at fair value, which is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

Goodwill represents the excess of the amount paid to acquire a business over the fair value of the identifiable net assets of that business at the acquisition date.

This section also explains the accounting policies applied and the specific judgements and estimates made by management in arriving at the carrying value of these assets.

6 Intangible assets continued
6.1 Goodwill

Accounting policy
Goodwill arising from the acquisition of a subsidiary represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's total identifiable net assets acquired. Goodwill is carried at cost less accumulated impairment losses.

Goodwill previously written off directly to reserves under UK GAAP prior to 1 October 1998 has not been reinstated and is not recycled to the income statement on the disposal of the business to which it relates.

Goodwill is tested for impairment annually and when circumstances indicate that it may be impaired. Goodwill is assessed for the purpose of impairment testing, at either the individual cash-generating unit (CGU) level or group of CGUs, consistent with the level at which goodwill is monitored internally. Impairment is determined by assessing the recoverable amount of each CGU or group of CGUs to which the goodwill relates. When the recoverable amount of the CGU or group of CGUs is less than its carrying amount, an impairment loss is recognised.

At recognition, goodwill is allocated to those CGUs expected to benefit from the synergies of the combination.

	Note	2024 £m	2023 £m
Cost and net book amount at 1 October		**2,245**	2,391
Acquisition of subsidiaries	15.1	**32**	11
Exchange movement		**(147)**	(157)
Cost and net book amount at 30 September		**2,130**	2,245

There were no accumulated impairment charges within goodwill for any of the years presented.

Cash-generating units
The following table shows the allocation of the carrying value of goodwill at the end of the reporting period by CGU or group of CGUs:

	2024 £m	2023 £m
North America	**1,331**	1,462
UK & Ireland	**354**	354
France	**210**	219
Iberia	**126**	131
Central Europe	**53**	55
Africa and the Middle East	**24**	24
Unallocated—Infineo business combination*	**32**	–
	2,130	2,245

Note:

* Unallocated goodwill relates to Infineo, which was acquired on 9 September 2024 and calculated on a provisional basis. See note 15.1. In accordance with IAS 36, goodwill will be allocated before the end of the first annual period beginning after the acquisition date, being by 30 September 2025.

6 Intangible assets continued
6.1 Goodwill continued
Annual goodwill impairment tests
The recoverable amount of a CGU or group of CGUs is determined as the higher of its fair value less costs of disposal and its value in use. In determining value in use, estimated future cash flows over a three-year period are discounted to their present value, with a terminal value based on the cash flows in the third year and an assumed long-term growth rate. The Group performed its annual test for impairment as at 30 June 2024. In all cases, the financial forecasts contained in the Group's three-year financial plan form the basis for the cash flow projections for a CGU or a group of CGUs, which is aligned with the Group's three-year strategic planning horizon.

Net operating cash flows over the three-year plan period reflect the Group's current assessment of climate change for each CGU or group of CGUs. This includes the potential impact on both revenue and cost, including the cost of any associated commitments made by the Group, which at this stage are not material. Consideration has also been given to the potential longer-term impacts which are reflected in the long-term growth rates since they are based on independently sourced longer-term Consumer Prices Index (CPI) forecasts. Reasonably possible changes in the long-term growth rates, considering the potential impact of climate change, do not materially impact the impairment test.

The key assumptions in the value in use calculations include the discount rate, average medium-term revenue growth rates and the long-term growth rates of net operating cash flows:

- The average medium-term revenue growth rates represent the compound annual revenue growth for the first three years. The average medium-term revenue growth rate applied to each CGU's cash flow projections for plan periods of three years are calculated using the specific rates used in the preparation of the Group's three-year plan and reflects rates applicable to each territory.
- Long-term growth rates of net operating cash flows are assumed to be in line with the long-term Consumer Prices Index (CPI) forecasts of the country in which the CGU's operations are primarily undertaken, reflecting the specific rates for each territory.

Average medium-term operating margins are equal to the expected operating margin across the three-year plan period. The operating margins over the three-year plan period are based on historical margins specific to each CGU with modest improvements from expected efficiencies in scaling the business.

Range of rates used across the different CGUs	2024	2023
Average medium-term revenue growth rates*	**8%–15%**	9%–18%
Long-term growth rates to net operating cash flows	**2%–5 %**	1%–3%

Note:

* Current year average medium-term revenue growth is based on three (2023: three) year compound annual revenue growth and excludes intercompany revenue.

6 Intangible assets continued

6.1 Goodwill continued

In accordance with IAS 36, key assumptions for the value in use calculations are disclosed for those CGUs and groups of CGUs where significant goodwill is held. These are deemed by management to be CGUs or groups of CGUs holding 10% or more of total goodwill. The discount rate, average medium-term revenue growth rate and long-term growth rate assumptions used for the value in use calculation for these are shown below:

2024	**Local discount rate (post-tax)**	**Approximate local discount rate (pre-tax) equivalent**	**Long-term growth rate**	**Average medium-term revenue growth rate***
UK & Ireland	**10.1%**	**13.3%**	**2.0%**	**12.6%**
France	**8.9%**	**11.9%**	**1.8%**	**11.3%**
North America	**10.1%**	**13.5%**	**2.2%**	**15.0%**

2023	Local discount rate (post-tax)	Approximate local discount rate (pre-tax) equivalent	Long-term growth rate	Average medium-term revenue growth rate*
UK & Ireland	8.9%	11.9%	1.2%	12.4%
France	8.7%	11.6%	1.2%	9.0%
North America	9.4%	12.5%	1.4%	18.1%

Note:

* Current year average medium-term revenue growth is based on three (2023: three) year compound annual revenue growth and excludes intercompany revenue.

Discount rate

The Group uses a discount rate based on a local Weighted Average Cost of Capital (WACC) for each CGU or group of CGUs, applying local government bond yields and specific tax rates to each CGU or group of CGUs. The discount rate applied to a CGU or group of CGUs represents a post-tax rate that reflects the market assessment of the time value of money as at 30 June 2024 and the risks specific to the CGU of group of CGUs, through the inclusion of a country risk premium. As the net operating cash flows for each CGU or group of CGUs include the expected impact of inflation, a nominal post-tax discount rate is used.

Use of a post-tax discount rate is consistent with the use of post-tax cash flows in the calculations and produces a result that is not materially different from applying the equivalent pre-tax rate to pre-tax cash flows. For comparison, the equivalent pre-tax rate has been estimated by grossing up the post-tax rate and is considered to provide a reasonable approximation of the rate that would have been used if calculations were on a pre-tax basis considering there are no significant timing differences. The post-tax discount rates applied to CGUs or group of CGUs were in the range of 8.4% (2023: 8.2%) to 17.7% (2023: 17.9%), reflecting the specific rates for each territory.

Sensitivity analysis

A sensitivity analysis was performed for each of the significant CGUs or groups of CGUs and management concluded that no reasonably possible change in any of the key assumptions would result in the carrying value of the CGU or group of CGUs exceeding its recoverable amount. Sensitivity testing assumed a reasonably possible reduction in both average medium-term revenue growth rates and average medium-term operating margins, as well as an increase in the discount rate.

Impairment charge

No impairment charge was recognised in the year (2023: £nil).

The Group performed its annual test for impairment for all CGUs as at 30 June 2024. The recoverable amount exceeded the carrying value for each CGU or group of CGUs; accordingly no impairment charge has been recognised in the year.

6 Intangible assets continued
6.2 Other intangibles

Accounting policy
Intangible assets arising on business combinations are recognised initially at fair value at the date of acquisition. Subsequently they are carried at cost less accumulated amortisation and impairment charges. The main intangible assets recognised are brands, technology, in-process R&D, computer software, and customer relationships. Amortisation is charged to the income statement on a straight-line basis over their estimated useful lives.

The estimated useful lives are as follows:

Brand names	1 to 20 years	Customer relationships	4 to 15 years
Technology/In-process R&D (IPR&D)	3 to 8 years	Computer software	2 to 7 years

Other intangible assets that are acquired by the Group are stated at cost, which is the asset's purchase price and any directly attributable costs of preparing the asset for its intended use, less accumulated amortisation and impairment losses if applicable.

The carrying value of intangibles is reviewed for impairment whenever events indicate that the carrying value may not be recoverable. The recoverable amount is considered to be the higher of the fair value less costs of disposal and value in use.

Internally generated software development costs qualify for capitalisation when the Group can demonstrate all of the following:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Its intention to complete the intangible asset and use or sell it;
- Its ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The existence of a market or, if it is to be used internally, the usefulness of the intangible asset;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- Its ability to measure reliably the expenditure attributable to the intangible asset during development.

Generally, commercial viability of new products is not proven until all high-risk development issues have been resolved through testing pre-launch versions of the product. As a result, technical feasibility is proven only after completion of the detailed design phase and formal approval, which occurs just before the products are ready to go to market. Accordingly, development costs have not been capitalised. However, the Group continues to assess the eligibility of development costs for capitalisation on a project-by-project basis.

Costs which are incurred after the general release of internally generated software or costs which are incurred in order to enhance existing products are expensed in the period in which they are incurred and included within research and development expense in the financial statements.

6 Intangible assets continued
6.2 Other intangibles continued

	Brands £m	Technology £m	Internal IPR&D £m	Computer software £m	Customer relationships £m	Total £m
Cost at 1 October 2023	**34**	**333**	**3**	**184**	**216**	**770**
Additions	**–**	**7**	**–**	**14**	**–**	**21**
Disposals	**–**	**–**	**–**	**(10)**	**–**	**(10)**
Exchange movement	**(2)**	**(13)**	**–**	**(6)**	**(14)**	**(35)**
At 30 September 2024	**32**	**327**	**3**	**182**	**202**	**746**
Accumulated amortisation at 1 October 2023	**33**	**196**	**3**	**134**	**130**	**496**
Charge for the year	**1**	**31**	**–**	**19**	**16**	**67**
Disposals	**–**	**–**	**–**	**(10)**	**–**	**(10)**
Exchange movement	**(2)**	**(9)**	**–**	**(7)**	**(8)**	**(26)**
At 30 September 2024	**32**	**218**	**3**	**136**	**138**	**527**
Net book amount at 30 September 2024	**–**	**109**	**–**	**46**	**64**	**219**

	Brands £m	Technology £m	Internal IPR&D £m	Computer software £m	Customer relationships £m	Total £m
Cost at 1 October 2022	35	328	3	177	228	771
Additions	–	–	–	17	–	17
Acquisition of subsidiaries	–	14	–	–	1	15
Disposals	–	–	–	(2)	–	(2)
Exchange movement	(1)	(9)	–	(8)	(13)	(31)
At 30 September 2023	34	333	3	184	216	770
Accumulated amortisation at 1 October 2022	33	166	3	128	121	451
Charge for the year	1	37	–	15	16	69
Disposals	–	–	–	(2)	–	(2)
Exchange movement	(1)	(7)	–	(7)	(7)	(22)
At 30 September 2023	33	196	3	134	130	496
Net book amount at 30 September 2023	1	137	–	50	86	274

All amortisation charges in the year have been charged through selling and administrative expenses. Of these amortisation charges, those relating to acquired intangibles of £48m (primarily brands, technology and customer relationships) have been classified as a recurring adjustment (2023: £54m); see note 3.6.

7 Property, plant and equipment

This note details the physical assets used by the Group to operate the business and generate revenues and profits. Assets are shown at their purchase price less depreciation, which is an expense that is charged over the useful life of these assets to reflect annual usage and wear and tear, and impairment.

Accounting policy

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation on property, plant and equipment is provided on a straight-line basis to write down an asset to its residual value over its useful life as follows:

Freehold buildings	• Up to 50 years
Long leasehold buildings and improvements	• Shorter of associated lease term and useful life
Plant and equipment	• 2 to 7 years
Motor vehicles	• 4 years
Office equipment	• 2 to 7 years
Right-of-use lease assets	• Shorter of lease term and useful life

Freehold land is not depreciated.

An item of property, plant and equipment is reviewed for impairment whenever events indicate that its carrying value may not be recoverable.

Further information on the policy applied to right-of-use lease assets is included in note 3.4.

7 Property, plant and equipment continued

	Land and buildings £m	Plant and equipment £m	Motor vehicles and office equipment £m	Right-of-use assets: Property £m	Right-of-use assets: Vehicles £m	Right-of-use assets: Total £m	Total £m
Cost at 1 October 2023	**13**	**124**	**27**	**134**	**7**	**141**	**305**
Additions	**–**	**18**	**1**	**23**	**1**	**24**	**43**
Disposals	**(13)**	**(13)**	**(4)**	**(1)**	**–**	**(1)**	**(31)**
Exchange movement	**–**	**(9)**	**(1)**	**(6)**	**–**	**(6)**	**(16)**
At 30 September 2024	**–**	**120**	**23**	**150**	**8**	**158**	**301**
Accumulated depreciation at 1 October 2023	**6**	**83**	**23**	**83**	**6**	**89**	**201**
Charge for the year	**–**	**14**	**1**	**13**	**1**	**14**	**29**
Disposals	**(6)**	**(13)**	**(4)**	**(1)**	**–**	**(1)**	**(24)**
Exchange movement	**–**	**(7)**	**(1)**	**(5)**	**–**	**(5)**	**(13)**
At 30 September 2024	**–**	**77**	**19**	**90**	**7**	**97**	**193**
Net book amount at 30 September 2024	**–**	**43**	**4**	**60**	**1**	**61**	**108**

	Land and buildings £m	Plant and equipment £m	Motor vehicles and office equipment £m	Right-of-use assets: Property £m	Right-of-use assets: Vehicles £m	Right-of-use assets: Total £m	Total £m
Cost at 1 October 2022	14	134	31	126	6	132	311
Additions	–	5	–	13	2	15	20
Disposals	–	(9)	(3)	–	(1)	(1)	(13)
Exchange movement	(1)	(6)	(1)	(5)	–	(5)	(13)
At 30 September 2023	13	124	27	134	7	141	305
Accumulated depreciation at 1 October 2022	6	76	24	48	5	53	159
Charge for the year	–	18	2	18	1	19	39
Impairment	–	2	1	19	–	19	22
Disposals	–	(9)	(3)	–	–	–	(12)
Exchange movement	–	(4)	(1)	(2)	–	(2)	(7)
At 30 September 2023	6	83	23	83	6	89	201
Net book amount at 30 September 2023	7	41	4	51	1	52	104

All depreciation charges in the years presented have been charged through selling and administrative expenses.

In the prior year, all impairment charges were charged through selling and administrative expenses, as well as being classified as a non-recurring adjustment within property restructuring costs; see note 3.6.

During the year the Group disposed of its Beaverton property site with a carrying value of £7m, which was part of the North America operating segment, for proceeds of £9m. The profit on disposal of the site has been recognised through selling and administrative expenses and proceeds from the sale have been recognised through cash flows from investing activities.

8 Working capital

This note provides the amounts invested by the Group in working capital balances at the end of the financial year. Working capital is made up of trade and other receivables, trade and other payables, and deferred income.

Trade and other receivables are made up of amounts owed to the Group by customers, amounts that we pay to our suppliers in advance, and incremental costs to acquire a contract. Trade receivables are shown net of an allowance for expected credit losses. Our trade and other payables are amounts we owe to our suppliers that have been invoiced to us or accrued by us. They also include amounts due in relation to taxes and social security from our role as an employer.

This note also gives some additional detail on the age and recoverability of our trade receivables, which provides an understanding of the credit risk faced by the Group as a part of everyday trading. Credit risk is further disclosed in note 13.6.

8.1 Trade and other receivables

Accounting policy

Trade receivables and contract assets

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for expected credit losses.

The Group uses the term “Trade receivables” for contract receivables. These are recognised when the right to consideration is unconditional. Typically, the Group invoices fees for perpetual licences on contract closure and delivery. For performance obligations satisfied over time, judgement is required in determining whether a right to consideration is unconditional. In such situations, a receivable is recognised for the transaction price of the non-cancellable portion of the contract when the Group starts satisfying the performance obligation.

When revenue recognised in respect of a customer contract exceeds amounts received or receivable from the customer a contract asset is recognised.

The carrying amounts of trade receivables and contract assets are reduced by allowances for expected credit losses using the simplified approach under IFRS 9. The Group uses a matrix approach to determine the allowance, with default rates assessed for each country in which the Group operates. The default rates applied are based on the ageing of the receivable, past experience of credit losses, and forward-looking information. An allowance for a receivable’s estimated lifetime expected credit losses is first recorded when the receivable is initially recognised, and subsequently adjusted to reflect changes in credit risk until the balance is collected. In the event that management considers that a receivable cannot be collected, the balance is written off.

Incremental costs of obtaining customer contracts

The incremental costs of obtaining customer contracts are capitalised under IFRS 15. Contract acquisition costs primarily consist of sales commissions earned by the Group’s sales force and business partners.

Judgement is required in determining the amounts to be capitalised, particularly where the commissions are based on cumulative targets. The Group capitalises such cumulative target commissions for all customer contracts that count towards the cumulative target but only if nothing other than obtaining customer contracts can contribute to achieving the cumulative target.

The capitalised assets are amortised over the period during which the related revenue is recognised, which may extend beyond the initial contract term where the Group expects to benefit from future renewals as a result of incurring the costs. Typically, either the Group does not pay sales commissions for customer contract renewals or such commissions are not commensurate with the commissions paid for new contracts. Consequently, the Group amortises sales commissions paid for new customer contracts on a straight-line basis over the expected contract life including probable contract renewals. Judgement is required in estimating these contract lives. In exercising this judgement, the Group considers respective renewal history adjusted for indications that the renewal history is not fully indicative of future renewals.

The amortisation periods range from one year to eight years depending on the type of commission arrangement. Amortisation of the capitalised costs of obtaining customer contracts is reported within selling and administrative expenses.

8 Working capital continued
8.1 Trade and other receivables continued

Non-current:	2024 £m	2023 £m
Customer acquisition costs	**131**	133
Other receivables	**5**	4
Prepayments	**1**	1
	137	138

Current:	2024 £m	2023 £m
Trade receivables	**275**	259
Less: allowance for expected credit losses	**(10)**	(10)
Trade receivables—net	**265**	249
Other receivables	**24**	12
Prepayments	**69**	66
Customer acquisition costs	**46**	49
	404	376

The Group has incurred £164m (2023: £167m) to obtain customer contracts and an amortisation expense of £157m (2023: £147m) was recognised in operating profit during the year. There were no material contract assets.

Movements on the Group allowance for expected credit losses of trade receivables were as follows:	2024 £m	2023 £m
At 1 October	**10**	14
Increase in allowance for expected credit losses	**4**	4
Receivables written off during the year as uncollectable	**(4)**	(5)
Unused amounts reversed	**–**	(2)
Exchange movement	**–**	(1)
At 30 September	**10**	10

The Group's credit risk on trade and other receivables is primarily attributable to trade receivables. The Group has no significant concentrations of credit risk since the risk is spread over a large number of unrelated counterparties.

The Group's businesses implement policies, procedures, and controls to manage customer credit risk. Outstanding balances are regularly monitored and reviewed to identify any change in risk profile. The Group recognises a loss allowance against trade receivables using the simplified approach under IFRS 9. The amount of the allowance reflects the lifetime expected credit losses measured using historical payment default rates determined for each geographical market in which the Group operates. The historical default rates are adjusted where necessary if they do not reflect the level of future expected credit losses, for example because of changes in the local economy or other commercial considerations. The allowance for expected credit losses is calculated using a provision matrix. The amount of the allowance increases as outstanding balances age. A customer balance is written off when it is considered that there is no reasonable expectation that the amount will be collected and legal enforcement activities have ceased.

8 Working capital continued

8.1 Trade and other receivables continued

An analysis of the gross carrying amount of trade receivables showing credit risk exposure by age of the outstanding balance is as follows:

Trade receivables at 30 September 2024	Not yet due £m	1–30 days overdue £m	31–60 days overdue £m	61–90 days overdue £m	91+ days overdue £m	Total £m
Expected credit loss rate	**1%**	**3%**	**9%**	**16%**	**59%**	
Estimated total gross carrying amount at default	**239**	**17**	**6**	**3**	**10**	**275**
Expected credit loss	**(2)**	**(1)**	**(1)**	**–**	**(6)**	**(10)**

Trade receivables at 30 September 2023	Not yet due £m	1–30 days overdue £m	31–60 days overdue £m	61–90 days overdue £m	91+ days overdue £m	Total £m
Expected credit loss rate	1%	3%	7%	16%	61%	
Estimated total gross carrying amount at default	224	14	6	3	12	259
Expected credit loss	(2)	–	–	(1)	(7)	(10)

Included in selling and administrative expenses in the income statement is a debit of £6m (2023: debit of £4m) in relation to receivables credit losses.

The maximum exposure to credit risk at the end of the reporting period is the fair value of each class of receivables mentioned above. The Group held no collateral as security. The carrying value of trade receivables approximate their fair value.

8.2 Trade and other payables

Accounting policy

Trade payables and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Current trade and other payables can be analysed as follows:	2024 £m	2023 £m
Trade payables	**38**	35
Other tax and social security payable	**39**	42
Other payables	**50**	60
Accruals	**278**	241
	405	378

Non-current trade and other payables can be analysed as follows:	2024 £m	2023 £m
Other payables	**3**	13

Notes to the consolidated financial statements continued

8 Working capital continued

8.3 Deferred income

Accounting policy

If amounts received or receivable from a customer exceed revenue recognised for a contract, a contract liability is recognised. The Group uses the term "deferred income" for a contract liability. Contract liabilities primarily reflect invoices due or payments received in advance of revenue recognition. Deferred income is unwound as related performance obligations are satisfied.

In all material respects, current deferred income at 1 October 2023 was recognised as revenue during the year. Other than the recognition and unwind of deferred income from the sale of subscription and maintenance and support contracts, there were no significant changes in contract liability balances during the year.

9 Provisions

This note provides details of the provisions recognised by the Group, where a liability exists of uncertain timing or amount. The main estimates in this area relate to legal exposure, employee severance, onerous contracts, interest on uncertain tax provisions and dilapidation charges.

This section also explains the accounting policies applied and the specific judgements and estimates made by the Directors in arriving at the value of these liabilities.

Accounting policy

A provision is recognised only when all three of the following conditions are met:

- The Group has a present obligation (legal or constructive) as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the present value of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, i.e. the present value of the amount that the Group would rationally pay to settle the obligation at the balance sheet date or to transfer it to a third party.

9 Provisions continued

	Restructuring £m	Legal £m	Building £m	Other £m	Total £m
At 1 October 2023	**8**	**19**	**19**	**1**	**47**
• Additional provision in the year	**3**	**4**	**2**	**1**	**10**
• Reclassification*	**–**	**–**	**–**	**5**	**5**
• Provision utilised in the year	**(3)**	**(2)**	**(2)**	**–**	**(7)**
• Unused amount reversed	**(2)**	**(5)**	**–**	**–**	**(7)**
• Exchange movement	**1**	**(1)**	**(1)**	**–**	**(1)**
At 30 September 2024	**7**	**15**	**18**	**7**	**47**

	Restructuring £m	Legal £m	Building £m	Other £m	Total £m
Maturity profile					
< 1 year	**1**	**13**	**1**	**7**	**22**
1–2 years	**3**	**2**	**5**	**–**	**10**
2–5 years	**3**	**–**	**6**	**–**	**9**
> 5 years	**–**	**–**	**6**	**–**	**6**
At 30 September 2024	**7**	**15**	**18**	**7**	**47**

Note:

* In the year, the Group reclassified £5m of interest and penalties related to uncertain tax provisions, previously recognised as current income tax liabilities. Prior year figures have not been restated.

Restructuring provisions are for the estimated costs of Group restructuring activities and mainly relate to employee severance which remains unpaid at the balance sheet date. These provisions will be utilised as obligations are settled which is currently expected to be within five years. This includes the non-recurring restructuring costs recognised in previous years, of which £3m was utilised in the year, which remain unpaid at the balance sheet date.

Legal provisions have been made in relation to ongoing disputes with third parties and other claims against the Group. The amount and ageing of legal provisions is assessed regularly, based upon internal and external legal advice, as required. The unused amounts reversed in the year (£5m) relate to a number of different legal claims.

Building provisions relate to dilapidation charges and property-related contracts that have become onerous. The timing of the cash flows associated with building provisions is dependent on the timing of lease agreement termination.

Other provisions comprise mainly the interest and penalties related to uncertain tax penalties and those for the costs of warranty cover provided by the Group in respect of products sold to third parties. The timing of the cash flows associated with warranty provisions is spread over the period of warranty with the majority of the claims expected in the first year.

10 Post-employment benefits

This note explains the accounting policies governing the Group's pension schemes, analyses the deficit on the defined benefit pension scheme and shows how it has been calculated.

The majority of the Group's employees are members of defined contribution pension schemes. Additionally, the Group operates a small defined benefit scheme in France.

For defined contribution schemes, the Group pays contributions into separate funds on behalf of the employee and has no further obligations to employees. The risks associated with this type of plan are assumed by the member. Contributions paid by the Group in respect of the current period are included within the income statement.

The defined benefit scheme is a pension arrangement under which participating members receive a pension benefit at retirement determined by the scheme rules, salary and length of pensionable service. The income statement charge for the defined benefit scheme is the current/past service cost and the net interest cost which is the change in the net defined benefit liability that arises from the passage of time. The Group underwrites both financial and demographic risks associated with this type of plan.

Accounting policy

Obligations under defined contribution schemes are recognised as an operating cost in the income statement as incurred.

The Group also operates a small post-employment benefit scheme in France. The assets of this scheme are held separately from the assets of the Group. Under French legislation, the Group is required to make one-off payments to employees in France who reach retirement age while still in employment. The costs of providing benefits under this scheme are determined using the projected unit credit actuarial valuation method.

The current service cost and gains and losses on settlements and curtailments are included in selling and administrative expenses in the income statement. Past service costs should be recognised on the earlier of the date of the plan amendment and the date the Group recognises restructuring-related costs. Interest on the benefit plan assets and the imputed interest on benefit plan liabilities are included within selling and administrative expenses in the income statement.

Changes in the post-employment benefit obligation due to experience and changes in actuarial assumptions are included in the statement of comprehensive income in full in the period in which they arise.

The liability recognised on the balance sheet in respect of the defined benefit scheme is the present value of the defined benefit obligation and future administration costs at the end of the reporting period, less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximate to the terms of the related benefit obligation liability.

The calculation of the defined benefit obligation of a defined benefit plan requires estimation of future events, for example salary and pension increases, inflation and mortality rates. In the event that future experience does not bear out the estimates made in previous years, an adjustment will be made to the plan's defined benefit obligation in future periods which could have a material effect on the Group.

A sensitivity analysis has been performed on the significant assumptions. The significant assumptions are deemed to be the discount rate and salary increases, as these are most likely to have a material impact on the defined benefit obligations. The analysis has been performed by the independent actuaries.

10 Post-employment benefits continued

Pension costs included in the consolidated income statement	Note	2024 £m	2023 £m
Defined contribution schemes		**29**	29
Defined benefit plans		**2**	1
	3.3	**31**	30

Defined benefit plans

The most recent actuarial valuation of the post-employment benefit plan has been performed during the year for the year ended 30 September 2024.

Weighted average principal assumptions made by the actuaries	2024 %	2023 %
Rate of increase in pensionable salaries	**2.9**	1.9
Discount rate	**3.4**	4.1
Inflation assumption	**2.0**	1.9

Mortality rate assumptions made by the actuaries	2024 Years	2023 Years
Average life expectancy for 65-year-old male	**19**	19
Average life expectancy for 65-year-old female	**23**	23
Average life expectancy for 45-year-old male	**36**	36
Average life expectancy for 45-year-old female	**42**	41

Amounts recognised on the balance sheet	2024 £m	2023 £m
Present value of funded obligations	**(23)**	(19)
Fair value of plan assets	**–**	–
Net liability recognised on the balance sheet	**(23)**	(19)

At 30 September 2024 and 30 September 2023, there were no plan assets held in relation to the post-employment benefit plan.

Expected benefits to be paid for the year ending 30 September 2025 are £1m (2023: expected benefits to be paid for the year ended 30 September 2024: £1m).

Amounts recognised in the income statement	2024 £m	2023 £m
Current service cost	**(2)**	(2)
Others (Curtailments/Plan amendments)	**–**	1
Total included within staff costs—all within selling and administrative expenses	**(2)**	(1)

10 Post-employment benefits continued

Changes in the present value of the defined benefit obligation	2024 £m	2023 £m
At 1 October	**(19)**	(19)
Exchange movement	**1**	1
Service cost	**(2)**	(2)
Curtailments/Plan amendments	**–**	1
Actuarial loss	**(3)**	–
At 30 September	**(23)**	(19)

Analysis of the movement in the balance sheet liability	2024 £m	2023 £m
At 1 October	**(19)**	(19)
Exchange movement	**1**	1
Total expense as recognised in the income statement	**(2)**	(1)
Actuarial loss*	**(3)**	–
At 30 September	**(23)**	(19)

Note:

* In the current year, an actuarial loss of £3m (2023: £nil) has been recognised, gross of a £1m (2023: £nil) tax benefit. The net impact of £2m charge (2023: £nil) has been recognised within other comprehensive income. See note 4 for the tax impact of the benefit in the current year.

Sensitivity analysis on significant actuarial assumptions		2024 £m	2023 £m
Discount rate applied to scheme obligations	+/- 0.75% p.a.	**2**	2
Salary increases	+/- 0.75% p.a.	**2**	2

11 Deferred income tax

Deferred income tax is an accounting adjustment to recognise liabilities or benefits that are expected to arise in the future due to differences in the carrying value of assets and liabilities and their respective tax bases. In this note we outline the accounting policies, movements in the year on the deferred tax account and the net deferred tax asset or liability at the year end.

A deferred tax asset represents a tax reduction that is expected to arise in a future period.

A deferred tax liability represents taxes which will become payable in a future period as a result of a current or previous transaction.

Accounting policy

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on tax rates that have been enacted or substantively enacted at the end of the reporting period.

Tax assets and liabilities are offset when there is a legally enforceable right and there is an intention to settle the balances net.

Deferred tax	Other intangible assets (excluding goodwill) £m	Tax losses £m	Accounting provisions/ accruals £m	Goodwill £m	Deferred revenue £m	Share options and awards £m	Capitalised R&D £m	Other £m	Total £m
At 30 September 2022	(53)	22	8	(24)	15	11	12	11	2
Income statement credit/(debit)	3	2	2	(1)	4	3	25	(8)	30
Acquisition or disposal of subsidiaries	(3)	–	–	–	–	–	–	–	(3)
Other comprehensive income movement	–	–	–	–	–	6	–	–	6
Exchange movement	8	(1)	–	1	(3)	–	–	(2)	3
At 30 September 2023	(45)	23	10	(24)	16	20	37	1	38
Income statement credit/(debit)	**11**	**(2)**	**(5)**	**(1)**	**(13)**	**4**	**27**	**1**	**22**
Acquisition or disposal of subsidiaries	**–**	**1**	**–**	**–**	**–**	**–**	**1**	**–**	**2**
Other comprehensive income movement	**–**	**–**	**–**	**–**	**–**	**(1)**	**–**	**4**	**3**
Exchange movement	**2**	**(1)**	**1**	**1**	**–**	**–**	**(4)**	**(1)**	**(2)**
At 30 September 2024	**(32)**	**21**	**6**	**(24)**	**3**	**23**	**61**	**5**	**63**

11 Deferred income tax continued

The net deferred tax asset at the end of the year is analysed below:	2024 £m	2023 £m
Deferred tax assets	**81**	56
Deferred tax liabilities	**(18)**	(18)
Net deferred tax asset	**63**	38

Deferred tax assets have been recognised in respect of tax losses and other temporary differences giving rise to deferred tax assets because it is probable that these assets will be recovered. Each of these assets are reviewed to ensure there is sufficient evidence to support their recognition. Deferred tax liabilities for the taxable temporary differences associated with the Group's investments in subsidiaries have been appropriately recognised to the extent that it is probable that the temporary differences will reverse in the future. Deferred taxes have been provided for the future tax impact of repatriating the Group's undistributed earnings, which is consistent with the position in 2023.

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as required by IAS 12 "Income Taxes") during the year are shown in the above table. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

Deferred tax assets and liabilities categorised as "other" in the above table include various balances in relation to the following items:

	2024 £m	2023 £m
Unremitted earnings	**(7)**	(7)
Lease liability	**18**	10
Right-of-use lease assets	**(12)**	(4)
Other amounts	**6**	2
	5	1

The Company has unrecognised carried forward losses of £134m (2023: £111m) available to reduce certain future taxable profits. Deferred tax assets of £32m (2023: £26m) have not been recognised in respect of these losses due to uncertainty regarding whether suitable profits will arise in future periods against which the deferred tax asset would reverse. Of these, £18m (2023: £18m) relate to UK capital losses that are available indefinitely but cannot be used to offset UK trading profit.

In July 2023, the UK Endorsement Board adopted "International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12)" as issued by the IASB, which introduced a mandatory temporary exception in IAS 12, prohibiting both the recognition and disclosure of deferred tax assets and deferred tax liabilities that arise from the implementation of the OECD Pillar Two model rules. The Group has applied the mandatory exception under IAS 12 within the consolidated financial statements for the year ended 30 September 2024.

12 Cash flow and net debt

This note analyses our operational cash generation, shows the movement in our net debt in the year, and explains what is included within our cash balances and borrowings at the year end.

Cash generated from operations is the starting point of our consolidated statement of cash flows. This section outlines the adjustments for any non-cash accounting items to reconcile our accounting profit for the year to the amount of cash we generated from our operations.

Net debt represents the amount of cash held less borrowings and overdrafts.

Borrowings are mostly made up of fixed-term external debt which the Group has taken out for general corporate purposes, including the refinancing of debt and acquisitions. Borrowings also include lease liabilities.

12.1 Cash flow generated from continuing operations

Reconciliation of profit for the year to cash generated from continuing operations	2024 £m	2023 £m
Profit for the year	**323**	211
Adjustments for:		
• Income tax	**103**	71
• Finance income	**(19)**	(12)
• Finance costs	**45**	45
• Amortisation of intangible assets	**67**	69
• Depreciation and impairment of property, plant and equipment	**29**	61
• Gain on disposal of property, plant and equipment	**(2)**	–
• R&D tax credits	**(2)**	(3)
• Equity-settled share-based transactions	**56**	49
• Exchange movement	**(4)**	(4)
Changes in working capital (excluding effects of acquisitions):		
• Increase in trade and other receivables	**(48)**	(58)
• Increase in trade and other payables and provisions	**20**	22
• Increase in deferred income	**57**	54
Cash generated from continuing operations	**625**	505

12.2 Net debt

Reconciliation of net cash flow to movement in net debt	2024 £m	2023 £m
Cash (outflows)/inflows in the year (pre-exchange movements)	**(164)**	236
Cash outflows/(inflows) from loans and lease liabilities	**18**	(69)
Change in net debt resulting from cash flows	**(146)**	167
Cash and lease liabilities recognised from acquisitions of subsidiaries or similar transactions	**4**	1
Other non-cash movements	**(28)**	(15)
Exchange movement	**(7)**	19
Movement in net debt in the year	**(177)**	172
Net debt at 1 October	**(561)**	(733)
Net debt at 30 September	**(738)**	(561)

12 Cash flow and net debt continued
12.2 Net debt continued

Analysis of change in net debt	At 1 October 2023 £m	**Cash flow £m**	**Acquisition of subsidiaries £m**	**Non-cash movements £m**	**Exchange movement £m**	**At 30 September 2024 £m**
Cash and cash equivalents	696	**(164)**	**4**	**–**	**(28)**	**508**
Liabilities arising from financing activities						
Loans due after more than one year	(1,171)	**–**	**–**	**(2)**	**17**	**(1,156)**
Lease liabilities due within one year	(14)	**18**	**–**	**(20)**	**1**	**(15)**
Lease liabilities after more than one year	(72)	**–**	**–**	**(6)**	**3**	**(75)**
	(1,257)	**18**	**–**	**(28)**	**21**	**(1,246)**
Total	(561)	**(146)**	**4**	**(28)**	**(7)**	**(738)**

Analysis of change in net debt	At 1 October 2022 £m	Cash flow £m	Acquisition of subsidiaries £m	Non-cash movements £m	Exchange movement £m	At 30 September 2023 £m
Cash and cash equivalents	489	236	1	–	(30)	696
Liabilities arising from financing activities						
Loans due within one year	(161)	148	–	–	13	–
Loans due after more than one year	(966)	(235)	–	(1)	31	(1,171)
Lease liabilities due within one year	(17)	18	–	(16)	1	(14)
Lease liabilities after more than one year	(78)	–	–	2	4	(72)
	(1,222)	(69)	–	(15)	49	(1,257)
Total	(733)	167	1	(15)	19	(561)

12 Cash flow and net debt continued
12.3 Cash and cash equivalents (excluding bank overdrafts)

Accounting policy

For the purpose of preparation of the consolidated statement of cash flows and the consolidated balance sheet, cash and cash equivalents include cash at bank and in hand, money market funds (MMFs) and short-term deposits with an original maturity period of three months or less. Bank overdrafts that are an integral part of a subsidiary's cash management are included in cash and cash equivalents where they have a legal right of set-off and there is an intention to settle net, against positive cash balances, otherwise bank overdrafts are classified as borrowings. Cash and cash equivalents are measured at amortised cost.

	2024 £m	2023 £m
Cash at bank and in hand	**292**	249
MMFs and short-term bank deposits	**216**	447
	508	696

The credit risk on liquid funds is considered to be low, as the Board-approved Group treasury policy limits the value that can be invested with each approved counterparty to minimise the risk of loss. The Group treasury policy is to place cash and cash equivalents with counterparties which are well-established banks with high credit ratings where available.

Cash and cash equivalents are classified and measured at amortised cost under IFRS 9 and are therefore subject to the expected loss model requirements of that standard. However, no material expected credit losses have been identified. At 30 September 2024, 99% (2023: 99%) of the cash and cash equivalents balance was deposited with financial institutions rated at least A- by Standard & Poor's.

The Group's maximum exposure to credit risk in relation to cash and cash equivalents is their carrying amount on the balance sheet.

12.4 Borrowings

Accounting policy

Interest-bearing borrowings are recognised initially at fair value less attributable issue costs, which are amortised over the period of the borrowings. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of borrowing on an effective interest basis.

Further information on the policy applied to lease liabilities is included in note 3.4.

12 Cash flow and net debt continued
12.4 Borrowings continued

Current	2024 £m	2023 £m
Lease liabilities	**15**	14

Non-current	2024 £m	2023 £m
Sterling denominated bond notes	**743**	742
Euro denominated bond notes	**414**	431
Lease liabilities	**75**	72
Unamortised RCF loan costs	**(1)**	(2)
	1,231	1,243

Borrowings	Year issued	Interest coupon*	Maturity	2024 £m	2023 £m
Bonds					
• GBP 350m bond notes	2021	1.63%	25-Feb-31	**350**	350
• GBP 400m bond notes	2022	2.88%	8-Feb-34	**400**	400
• EUR 500m bond notes	2023	3.82%	15-Feb-28	**416**	433

Note:

* This does not include the impact of cross-currency interest rate swaps entered into in relation to the GBP 350m bond notes and EUR 500m bond notes.

The Group's debt is sourced from sterling and euro denominated bond notes, with a syndicated multi-currency Revolving Credit Facility (RCF) also available.

During the prior year, the Group issued euro denominated bond notes under its newly established Euro Medium Term Note (EMTN) programme, for a nominal amount of EUR 500m and an expiry date of February 2028. Cash proceeds from the issuance, net of transaction costs, were EUR 498m (£442m).

Bond notes at 30 September 2024 were £1,157m (30 September 2023: £1,173m), comprised of sterling denominated bond notes £743m (30 September 2023: £742m) and euro denominated bond notes £414m (30 September 2023: £431m).

In November 2023, a one-year extension of the Group's RCF was agreed, resulting in a new maturity in December 2028. In November 2024, after the balance sheet date, a further one-year extension was agreed, resulting in a new maturity in December 2029. At 30 September 2024, £nil of the RCF was drawn down (2023: £nil).

Further information on lease liabilities is included in note 3.4.

13 Financial instruments

This note shows details of the fair value and carrying value of short- and long-term borrowings, trade and other payables, trade and other receivables, derivative financial instruments, equity investments, short-term bank deposits, and cash at bank and in hand. These items are all classified as “financial instruments” under accounting standards. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In order to assist users of these financial statements in making an assessment of any risks relating to financial instruments, this note also sets out the maturity of these items and analyses their sensitivity to changes in key inputs, such as interest rates and foreign exchange rates. An explanation of the Group’s exposure to, and management of, capital, liquidity, credit, interest rate, and foreign currency risk is set out in the financial risk management section at the end of this note.

Accounting policy

Financial assets and financial liabilities are recognised on the Group’s balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the asset have expired, or when the Group has transferred those rights and either has also transferred substantially all the risks and rewards of the asset or has neither transferred nor retained substantially all the risks and rewards of the asset but no longer has control of the asset.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled, or expires.

The Group may use derivative financial instruments to manage its exposures to fluctuating foreign exchange rates and foreign currency cash flows in relation to external borrowings. These instruments are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

At the inception of designated hedge relationships, the Group documents its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

13 Financial instruments continued

The amounts on the consolidated balance sheet that are accounted for as financial instruments, and their classification under IFRS 9, are as follows:

		IFRS 9 classification				
As at 30 September 2024	Note	**At amortised cost £m**	**Derivatives used for hedging £m**	**At fair value through profit or loss £m**	**At fair value through other comprehensive income £m**	**Total £m**
Non-current assets						
Equity investments		**–**	**–**	**–**	**6**	**6**
Trade and other receivables: other receivables	8.1	**3**	**–**	**2**	**–**	**5**
Derivative financial instruments—cross-currency interest rate swaps		**–**	**29**	**–**	**–**	**29**
Current assets						
Trade and other receivables: trade receivables	8.1	**265**	**–**	**–**	**–**	**265**
Trade and other receivables: other receivables	8.1	**23**	**–**	**1**	**–**	**24**
Cash and cash equivalents	12.3	**508**	**–**	**–**	**–**	**508**
Current liabilities						
Trade and other payables excluding other tax and social security	8.2	**(366)**	**–**	**–**	**–**	**(366)**
Borrowings	12.4	**(15)**	**–**	**–**	**–**	**(15)**
Non-current liabilities						
Borrowings	12.4	**(1,231)**	**–**	**–**	**–**	**(1,231)**
Trade and other payables: other payables		**(3)**	**–**	**–**	**–**	**(3)**
Derivative financial instruments—cross-currency interest rate swaps	13.5	**–**	**(13)**	**–**	**–**	**(13)**
		(816)	**16**	**3**	**6**	**(791)**

		IFRS 9 classification				
As at 30 September 2023	Note	At amortised cost £m	Derivatives used for hedging £m	At fair value through profit or loss £m	At fair value through other comprehensive income £m	Total £m
Non-current assets						
Equity investments		–	–	–	4	4
Trade and other receivables: other receivables	8.1	2	–	2	–	4
Derivative financial instruments—cross-currency interest rate swaps		–	1	–	–	1
Current assets						
Trade and other receivables: trade receivables	8.1	249	–	–	–	249
Trade and other receivables: other receivables	8.1	11	–	1	–	12
Cash and cash equivalents	12.3	696	–	–	–	696
Current liabilities						
Trade and other payables excluding other tax and social security	8.2	(336)	–	–	–	(336)
Borrowings	12.4	(14)	–	–	–	(14)
Non-current liabilities						
Borrowings	12.4	(1,243)	–	–	–	(1,243)
Trade and other payables: other payables		(13)	–	–	–	(13)
Derivative financial instruments—cross-currency interest rate swaps	13.5	–	(20)	–	–	(20)
		(648)	(19)	3	4	(660)

13 Financial instruments continued

13.1 Fair values of financial instruments

The carrying amounts of the following financial assets and liabilities approximate to their fair values: trade and other payables excluding tax and social security, trade and other receivables excluding prepayments and accrued income, lease liabilities, and short-term bank deposits, and cash at bank and in hand.

Borrowings (excluding lease liabilities)

The fair value of the sterling and euro denominated bond notes are determined by reference to quoted market prices and therefore can be considered as a level 1 fair value as defined within IFRS 13.

The Group does not hold any financial liabilities whose fair value would be considered as a level 3 fair value as defined within IFRS 13.

The respective book and fair values of bond notes and loan notes are included in the table below:

		2024		2023	
	Note	**Book value £m**	**Fair value £m**	Book value £m	Fair value £m
Long-term borrowing (excluding lease liabilities)	12.4	**(1,156)**	**(1,065)**	(1,171)	(1,014)

Contingent consideration receivable

The Group recognises contingent consideration receivable of £3m (2023: £3m) relating to the disposal of Sage Payroll Solutions in the year ended 30 September 2019. This is classified as a financial asset measured at fair value through profit or loss. Its fair value is determined using a discounted cash flow valuation technique. The main inputs to the calculation for which assumptions have been made are the discount rate and the period over which the consideration will be received. This is a level 3 fair value under IFRS 13.

Equity investments

The fair value of the unlisted equity investments held by the Group is determined using a market-based valuation approach. The significant unobservable inputs used in level 3 fair value measurement are transaction prices paid for identical or similar instruments of the investee and revenue growth factors.

Derivative financial instruments—cross-currency interest rate swaps

The fair value of the cross-currency interest rate swaps held by the Group is determined using a discounted cash flow valuation technique at market rates and therefore can be considered as a level 2 fair value as defined within IFRS 13.

13 Financial instruments continued

13.2 Maturity of financial liabilities

The maturity profile of the undiscounted contractual amount of the Group's financial liabilities (excluding cross-currency interest rate swaps) at 30 September was as follows:

	2024			
	Borrowings: bank loans and bond notes £m	**Borrowings: lease liabilities £m**	**Trade and other payables excluding other tax and social security £m**	**Total £m**
In less than one year	**34**	**18**	**366**	**418**
In more than one year but not more than five years	**527**	**62**	**3**	**592**
In more than five years	**808**	**31**	**–**	**839**
	1,369	**111**	**369**	**1,849**

	2023			
	Borrowings: bank loans and bond notes £m	Borrowings: lease liabilities £m	Trade and other payables excluding other tax and social security £m	Total £m
In less than one year	35	15	336	386
In more than one year but not more than five years	562	56	13	631
In more than five years	825	23	–	848
	1,422	94	349	1,865

The maturity profile of the undiscounted contractual amounts of the Group's cross-currency interest rate swaps, including expected interest payments, at 30 September was as follows:

	2024		
	Receipts £m	**Payments £m**	**Total £m**
In less than one year	**29**	**(33)**	**(4)**
In more than one year but not more than five years	**605**	**(612)**	**(7)**
In more than five years	**361**	**(336)**	**25**
	995	**(981)**	**14**

	2023		
	Receipts £m	Payments £m	Total £m
In less than one year	27	(33)	(6)
In more than one year but not more than five years	640	(668)	(28)
In more than five years	367	(378)	(11)
	1,034	(1,079)	(45)

13 Financial instruments continued

13.3 Borrowing facilities

The Group has the following undrawn committed revolving credit facility available at 30 September in respect of which all conditions precedent had been met at that date:

	2024 £m	2023 £m
Expiring in more than one year but not more than five years	**630**	630

The facility has been arranged to help finance the expansion of the Group's activities. This facility incurs commitment fees at market rates. In November 2023, a one-year extension was agreed to the facility, resulting in a new maturity in December 2028. In November 2024, after the balance sheet date, a further one-year extension was agreed, resulting in a new maturity in December 2029.

13.4 Market risk sensitivity analysis

Financial instruments affected by market risks include borrowings and deposits.

The following analysis is intended to illustrate the sensitivity to changes in market variables, being sterling/US Dollar and sterling/Euro exchange rates.

The sensitivity analysis assumes reasonable movements in foreign exchange rates before the effect of tax. Sensitivity to movements in sterling/US Dollar and sterling/Euro exchange rates of 10% are shown, reflecting changes of reasonable proportion in the context of movement in those currency pairs over the last year.

Using the above assumptions, the following table shows the illustrative effect on equity resulting from changes in sterling/US Dollar and sterling/Euro exchange rates:

	2024	2023
	Equity gains/(losses) £m	Equity gains/(losses) £m
10% strengthening of sterling versus the US Dollar	**50**	51
10% strengthening of sterling versus the Euro	**(9)**	(9)
10% weakening of sterling versus the US Dollar	**(62)**	(63)
10% weakening of sterling versus the Euro	**11**	10

13 Financial instruments continued
13.5 Hedge accounting

Accounting policy
On transition to IFRS 9, the Group elected to continue to apply the hedge accounting requirements of IAS 39. The Group applies hedge accounting to external borrowings and cross-currency interest rate swap contracts that are designated as a hedge of a net investment in foreign operations. The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation which is determined to be an effective hedge is recognised in other comprehensive income and accumulated in the foreign currency translation reserve. The ineffective portion is recognised immediately in profit or loss. On disposal of the net investment, the foreign exchange gains and losses on the hedging instrument are recycled to the income statement from equity.

Where borrowings denominated in a currency other than sterling, or cross-currency interest rate swap contracts, are used to hedge the Group's exposure to foreign currency exchange movements of its net investment in its subsidiaries, these relationships are designated as net investment hedges for accounting purposes. The hedges are documented and assessed for effectiveness on an ongoing basis.

The Group applies hedge accounting to certain exchange differences arising between the functional currencies of a foreign operation and Parent Company, regardless of whether the net investment is held directly or through an intermediate parent.

The Group applies cash flow hedge accounting to cross-currency interest rate swap contracts that are designated as a hedge of cash flows arising from foreign currency denominated borrowings. The effective portion of changes in the fair value of such a derivative is recognised in other comprehensive income and accumulated in the hedging reserve. The effective portion of changes in fair value of the derivative that is recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge.

Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve are immediately reclassified to profit or loss.

The Group designates the change in fair value of the forward element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The amount accumulated in the hedging reserve is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

13 Financial instruments continued

13.5 Hedge accounting continued

Net investment hedges

The Group hedges the risk exposure to foreign currency exchange movements of its net investment in its subsidiaries in the US and Eurozone.

Subsequent to repayment of the US senior loan notes in the prior year, a portion of the Group's external euro denominated borrowings, relating to the EUR 500m bond, was designated as hedging instruments.

The underlying risk of the hedging instruments exactly matches the hedged risk as the borrowings and net investments in subsidiaries are denominated in the same currencies, giving a hedge ratio of 1:1. Hedge ineffectiveness will arise if the carrying amount of the net investment falls below the carrying amount of the designated borrowings.

During the year, the Group has designated USD cross-currency interest rate swap contracts totalling £560m (USD 750m) (2023: £614m, USD 750m) as hedging instruments to hedge risk exposure to foreign currency exchange movements of its net investment in its subsidiaries in the US. Sources of ineffectiveness on this hedge relationship will arise from a difference in credit ratings between the counterparties and modifications to the terms of either the hedged item or the instrument. During the year, £nil (2023: £nil) has been recognised in the income statement as ineffective.

Changes in the carrying amount of the loan notes relate to foreign exchange movements recognised through other comprehensive income. The change in the carrying amount of the derivative financial instrument is due to fair value movements also recognised through other comprehensive income.

The impact of the hedging instrument on the consolidated balance sheet is as follows:

As at 30 September 2024		Nominal amount	**Carrying amount* £m**	**Change in carrying amount as a result of movements in the year recognised in OCI £m**
Non-current borrowings	EUR bond notes**	EUR 156m	**130**	**(6)**
Derivative financial instruments	Cross-currency interest rate swap	USD 429m	**(6)**	**(24)**
Derivative financial instruments	Cross-currency interest rate swap	USD 321m	**(23)**	**(22)**
			101	**(52)**

As at 30 September 2023		Nominal amount	Carrying amount* £m	Change in carrying amount as a result of movements in the year recognised in OCI £m
Non-current borrowings	EUR bond notes	EUR 156m	136	(3)
Derivative financial instruments	Cross-currency interest rate swap	USD 429m	18	(42)
Derivative financial instruments	Cross-currency interest rate swap	USD 321m	(1)	(1)
N/A	USD loan notes***	USD 250m	–	(21)
N/A	USD loan notes***	USD 150m	–	(12)
			153	(79)

Notes:

* Liability/(asset) position.
** Hedge relationship was de-designated effective from 30 September 2024.
*** Repaid during the prior year (see note 13.2).

13 Financial instruments continued
13.5 Hedge accounting continued

The cumulative impact of the hedged item on the consolidated balance sheet is as follows:

	2024 Foreign currency translation reserve £m	2023 Foreign currency translation reserve £m
Net investment in foreign subsidiaries—USD	**(29)**	79
Net investment in foreign subsidiaries—EUR	**(9)**	1
	(38)	80

The change in value of the hedged item, being the Group's net investment in its USD and EUR subsidiaries, recorded through OCI in the year was £46m (2023: £76m) and £6m (2023: £3m) respectively. During the year, £nil (2023: £nil) has been recognised in the income statement as ineffective.

Cash flow hedges

The Group hedges the risk exposure to foreign currency exchange movements of its foreign currency borrowings.

During the prior year, the Group issued euro denominated bond notes for a nominal amount of EUR 500m. With respect to EUR 300m of this balance, the Group has designated cross-currency interest rate swap contracts (to receive fixed euro and pay fixed sterling) as the hedging instruments in a cash flow hedge relationship to mitigate the risk of changes in the denominated cash flows related to the euro borrowings attributable to changes in the exchange rate, for which hedge accounting has been applied.

The underlying risk of the hedging instruments exactly matches the hedged risk as the hedging instrument and euro borrowings are arranged on the same payment profile, for the same interest rate and nominal amount, giving a hedge ratio of 1:1. Hedge ineffectiveness will arise if the carrying amount of the euro borrowings falls below the amount of the cross-currency swap contract, for example on early repayment of the euro borrowings.

Sources of ineffectiveness on this hedge relationship will arise from a difference in credit ratings between the counterparties and modifications to the terms of either hedged item or instrument. At 30 September 2024, £nil (2023: £nil) has been recognised in profit or loss due to ineffectiveness. The hedges are documented and are assessed for effectiveness on an ongoing basis.

Gains and losses initially recognised in other comprehensive income on cross-currency swap contracts are recognised in profit or loss (within finance costs) in the periods in which the hedged forecast transaction affects profit or loss. A reconciliation of movements in the hedging reserve in relation to the cash flow hedging instrument is provided in note 14.3.

The impact of the hedging instrument on the consolidated balance sheet is as follows:

As at 30 September 2024		Nominal amount	**Carrying amount* £m**	**Change in carrying amount as a result of net movements in the year recognised in OCI £m**	**Change in carrying amount as a result of net movements in the year recognised in P&L £m**
Derivative financial instruments	Cross-currency interest rate swap	EUR 300m	**13**	**–**	**11**

As at 30 September 2023		Nominal amount	Carrying amount* £m	Change in carrying amount as a result of net movements in the year recognised in OCI £m	Change in carrying amount as a result of net movements in the year recognised in P&L £m
Derivative financial instruments	Cross-currency interest rate swap	EUR 300m	2	(4)	6

Note:

* Liability position.

Further information on the Group's exposure to foreign currency risk and how the risk is managed is included in note 13.6.

13 Financial instruments continued

13.6 Financial risk management

The Group's exposure to and management of capital, liquidity, credit, interest rate and foreign currency risk are summarised below.

Capital risk

The Group's objectives when managing capital (defined as net debt plus equity) are to safeguard its ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders, while maintaining an appropriate balance of debt and equity funding. The Group manages its capital structure through regular review by the Board and makes adjustments to it with respect to changes in economic conditions and our strategic objectives. Priorities for capital allocation are organic and inorganic investment, including through acquisitions of complementary technology and partnerships; the progressive growth of the dividend; and the return of surplus capital to shareholders, if appropriate. Over the medium term, the Group plans to operate in a broad range of 1–2x net debt to EBITDA, with flexibility to move outside this range as the business needs require. A reconciliation of the net debt/EBITDA ratio is provided as part of the capital allocation disclosure within the Financial Review on page 61.

Liquidity risk

The Group manages its exposure to liquidity risk by reviewing cash resources required to meet business objectives through both short- and long-term cash flow forecasts. The Group has committed facilities which are available to be drawn for general corporate purposes including working capital. The Treasury function has responsibility for optimising the level of cash across the business.

Credit risk

The Group's credit risk primarily arises from trade and other receivables. The Group has a low operational credit risk due to the transactions being principally of a high-volume, low-value, and short maturity. The Group has no significant concentration of operational credit risk, with the exposure spread over a large number of well-diversified counterparties and customers.

The credit risk on liquid funds is considered to be low, as the Board-approved Group treasury policy limits the value that can be invested with each approved counterparty to minimise the risk of loss. All counterparties must meet minimum credit rating requirements or be specifically authorised as an exception.

Further information on the credit risk management procedures applied to trade receivables is given in note 8.1 and to cash and cash equivalents in note 12.3. The carrying amounts of trade receivables and cash and cash equivalents shown in those notes represent the Group's maximum exposure to credit risk.

13 Financial instruments continued

13.6 Financial risk management continued

Interest rate risk

The Group's borrowings at 30 September 2024 principally comprise sterling and euro denominated bond notes, which are at fixed interest rates, and a bank RCF, which is subject to floating interest rates. Additionally, the Group is exposed to interest rate risk on floating rate deposits. The Group regularly reviews forecast debt, cash and cash equivalents, and interest rates to monitor this risk. Interest rates on debt and deposits are fixed when management decides this is appropriate.

At 30 September 2024, the Group had £508m (2023: £696m) of cash and cash equivalents, while its borrowings comprised:

- Sterling denominated bond notes of £743m (2023: £742m), comprising a £350m bond issued in 2021 and a £400m bond issued in 2022. The Group is also party to a cross-currency interest rate swap in relation to the £350m bond, as a result of which the bond had an effective average fixed interest rate of 2.45% (2023: 2.45%). The £400m bond had an average fixed coupon of 2.88% (2023: 2.88%).
- Euro denominated bond notes of £414m (2023: £433m). The Group is also party to cross-currency interest rate swaps in relation to a part of this EUR 500m bond, as a result of which the bond had an effective average fixed interest rate of 4.53% (2023: 4.43%).
- Unsecured bank loans of £nil (2023: £nil), which comprises an undrawn RCF.

Foreign currency risk

Although a substantial proportion of the Group's revenue and profit is earned outside the UK, operating companies generally only trade in their own currency. The Group is therefore not subject to any significant foreign exchange transactional exposure within these subsidiaries.

The Group's principal exposure to foreign currency lies in the translation of overseas profits into sterling; this exposure is not hedged.

During the year a portion of the Group's external euro denominated borrowings (EUR 156m of a nominal EUR 500m) were designated as a hedge of the net investment in its subsidiaries in the Eurozone. The foreign exchange movements on translation of the portion of these borrowings into sterling have therefore been recognised in the translation reserve. This hedge relationship was de-designated effective from 30 September 2024. Prior to the repayment of the US senior loan notes in the prior year, a proportion of the Group's external US Dollar denominated borrowings, and the total of its euro denominated borrowings, were designated as hedging instruments.

During the prior year, the Group entered into cross-currency swap contracts to both receive fixed sterling and pay fixed US dollars (£264m, USD 321m), as well as receive fixed euros and pay fixed sterling (EUR 300m, £264m). The Group had an additional pre-existing cross-currency swap contract to receive fixed sterling and pay fixed US dollars (£350m, USD 429m).

The euro-sterling swap contracts have been designated as the hedging instruments in a cash flow hedge relationship to mitigate the risk of changes in the cash flows related to the remaining euro denominated borrowings attributable to changes in exchange rate. The average interest rate of the euro-sterling swap contracts is 4.98%, fixed for the lifetime of the instrument. See note 13.5.

The US Dollar-sterling swap contracts have been designated as a hedge of the Group's net investment in its subsidiaries in the US. See note 13.5.

Certain of the Group's intercompany balances have been identified as part of the Group's net investment in foreign operations. Foreign exchange effects on these balances that remain on consolidation are also reflected in the translation reserve. The Group's other currency exposures comprise those currency gains and losses recognised in the income statement, reflecting other monetary assets and liabilities of the Group that are not denominated in the functional currency of the entity involved. At 30 September 2024 and 30 September 2023, these exposures were immaterial to the Group.

14 Equity

This note analyses the movements recorded through shareholders' equity that are not explained elsewhere in the financial statements, being changes in the amount which shareholders have invested in the Group.

The Group utilises share award plans as part of its employee remuneration package. These are set out in more detail below, along with the costs incurred, and the number of shares outstanding.

Share plans primarily include:

- Performance Share Plan - The Sage Group Performance Share Plan for Directors and senior executives;
- Restricted Share Plan - The Sage Group Restricted Share Plan for colleagues who contribute to Sage's strategic outcomes;
- Other Plans - The Sage Save and Share Plan (the "Save and Share Plan") for employees of the Group and The Colleague Stock Purchase Plan (the "CSPP Plan") for US-Based employees.

This note also shows the dividends paid in the year and any dividends that are to be proposed and paid post-year end. Dividends are paid as an amount per ordinary share held.

14.1 Ordinary shares

Accounting policy

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the owners of the Company until the shares are cancelled or reissued.

Issued and fully paid ordinary shares of $1^{4/77}$ pence each	2024 shares	2024 £m	2023 shares	2023 £m
At 1 October	**1,100,789,295**	**12**	1,100,789,295	12
Cancellation of shares	**(29,289,778)**	**(1)**	–	–
At 30 September	**1,071,499,517**	**11**	1,100,789,295	12

14.2 Share-based payments

Accounting policy

Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest allowing for the effect of non market-based vesting conditions.

Fair value is measured using the Black-Scholes or the Monte Carlo pricing models, based on observable market prices. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

All outstanding Sage Performance Share Plans (PSPs) are subject to some non-market performance conditions. The element of the income statement charge relating to market performance conditions is fixed at the grant date.

At the end of the reporting period, the Group revises its estimates for the number of awards expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

14 Equity continued

14.2 Share-based payments continued

The total charge for the year relating to employee share-based payment plans was £56m (2023: £49m), all of which related to equity-settled share-based payment transactions.

Plans	2024 £m	2023 £m
Performance Share Plan	**5**	4
Restricted Share Plan	**48**	42
Other Plans	**3**	3
Total	**56**	49

£11m of the charge for the year (2023: £6m) relates to acquisition-related remuneration and is reported as a recurring adjustment within other M&A activity-related items. See note 3.6.

The Sage Group Performance Share Plan

Annual grants of performance shares will normally be made to Executive Directors and Senior Executives after the preliminary declaration of the annual results. Under the Performance Share Plan, 755,730 (2023: 857,978) awards were made during the year.

Awards for 2022

These performance shares are subject to a service condition and three performance conditions. Performance conditions are weighted 55% on the achievement of a financial performance target, 30% on the achievement of a TSR target, and 15% on the achievement of ESG targets.

The financial performance target is based on the achievement of Sage Business Cloud (SBC) Penetration targets for the final year of the performance period. Where SBC Penetration is between prescribed targets, the extent to which the financial performance condition is satisfied will be calculated on a straight-line, pro-rata basis within a defined range.

2022 awards	Range 1	Range 2
• SBC Penetration (%)	**75%–80%**	**80%–85%**
• Performance condition satisfied (%)	**11%–44%**	**44%–55%**

The performance target relating to TSR measures share price performance against a designated comparator group. Where TSR is between median and upper quartile, the TSR vesting percentage will be calculated on a straight-line, pro-rata basis between 6% and 24%, and where TSR is between upper quartile and upper decile, the TSR vesting percentage will be calculated on a straight-line, pro-rata basis between 24% and 30%.

The comparator group for awards granted for 2022 onwards is the companies comprised in the FTSE 100 Index at the start of the performance period, excluding financial services and extraction companies.

The performance targets relating to ESG are based on the achievement of targets relating to (i) the aggregate number of volunteering hours recorded through the Sage Foundation during the performance period, (ii) the aggregate number of individuals supported through Sage's Sustainability and Society strategy during the performance period, and (iii) Sage's ESG Strategy Impact at the end of the performance period. Where aggregate volunteering hours and aggregate individuals supported are between prescribed targets, the extent to which the ESG performance conditions are satisfied will be calculated on a straight-line, pro-rata basis within a defined range.

2022 awards	Range 1	Range 2
• Volunteering hours (number)	**400,000–500,000**	**500,000-600,000**
• Performance condition satisfied (%)	**0.75%–3%**	**3%–3.75%**
• Individuals supported (number)	**22,000–27,000**	**27,000-32,000**
• Performance condition satisfied (%)	**0.75%–3%**	**3%–3.75%**

Sage's ESG Strategy Impact will be measured by (i) its alignment to the Sustainability Accounting Standards Board's (SASB's) standards, (ii) its achievement of Global Reporting Initiative's (GRI's) sustainability reporting standards (GRI CORE and GRI COMPREHENSIVE are the two levels to which Sage can align), and (iii) achievement of a top 10% ranking in at least 3 ESG rating schemes.

14 Equity continued

14.2 Share-based payments continued

Given an achievement of full SASB alignment, achieving GRI CORE would result in the performance condition being 1.5% satisfied, while achieving GRI COMPREHENSIVE would result in the performance condition being 6% satisfied. Where the ESG Strategy Impact is between GRI CORE and GRI COMPREHENSIVE, the extent to which the ESG performance condition is satisfied will be calculated on a straight-line, pro-rata basis within this defined range of 1.5%–6%.

Given an achievement of full SASB alignment and GRI COMPREHENSIVE, achieving a top 10% ranking in at least 3 ESG rating schemes would result in the performance condition being 7.5% satisfied. Where a top 10% ranking is between zero and 3 ESG rating schemes, the extent to which the ESG performance condition is satisfied will be calculated on a straight-line, pro-rata basis within this defined range of 6%–7.5%.

Awards for 2023

These performance shares are subject to a service condition and three performance conditions. Performance conditions are weighted 50% on the achievement of a financial performance target, 30% on the achievement of a TSR target, and 20% on the achievement of ESG targets.

The financial performance target is based on the achievement of Sage Business Cloud (SBC) Penetration targets for the final year of the performance period. Where SBC Penetration is between prescribed targets, the extent to which the financial performance condition is satisfied will be calculated on a straight-line, pro-rata basis within a defined range.

2023 awards	Range 1	Range 2
• SBC Penetration (%)	**85%–89%**	**89%–92%**
• Performance condition satisfied (%)	**10%–40%**	**40%–50%**

The performance target relating to TSR measures share price performance against a designated comparator group. Where TSR is between median and upper quartile, the TSR vesting percentage will be calculated on a straight-line, pro-rata basis between 6% and 24%, and where TSR is between upper quartile and upper decile, the TSR vesting percentage will be calculated on a straight-line, pro-rata basis between 24% and 30%.

The comparator group for awards granted for 2023 onwards is the companies comprised in the FTSE 100 Index at the start of the performance period, excluding financial services and extraction companies.

The performance targets relating to ESG are based on the achievement of targets relating to (i) a Protect the Planet condition, (ii) a Tech for Good condition, and (iii) two Diversity, Equity and Inclusion conditions. Where attainment of each of the ESG condition are between prescribed targets, the extent to which the ESG performance conditions are satisfied will be calculated on a straight-line, pro-rata basis within defined ranges as detailed below.

The Protect the Planet condition will be measured by reference to the reduction in the Group's Scope 1, 2 and 3 carbon emissions during the performance period.

2023 awards	Range 1	Range 2
• Reduction in carbon emissions (%)	**6.9%–13.8%**	**13.8%–20.7%**
• Performance condition satisfied (%)	**1.5%–6%**	**6%–7.5%**

The Tech for Good condition will be measured by reference to the number of Sage products that have embedded functionality for carbon accounting at the end of the performance period.

2023 awards	Range 1	Range 2
• Number of products (number)	**3–6**	**6–8**
• Performance condition satisfied (%)	**1%–4%**	**4%–5%**

14 Equity continued
14.2 Share-based payments continued

The Diversity, Equity and Inclusion conditions will be measured by reference to (i) the inclusion score in the employee engagement survey undertaken in the last financial year of the performance period, and (ii) the percentage of leadership teams meeting Sage's global gender diversity target at the end of the performance period.

2023 awards	Range 1	Range 2
• Inclusion score (number)	**82–84**	**84–86**
• Performance condition satisfied (%)	**0.75%–3%**	**3%–3.75%**
• Percentage of teams (%)	**50%–65%**	**65%–80%**
• Performance condition satisfied (%)	**0.75%–3%**	**3%–3.75%**

Awards for 2024

These performance shares are subject to a service condition and three performance conditions over the 3-year length of the performance period. Performance conditions are weighted 50% on the achievement of a financial performance target, 30% on the achievement of a TSR target, and 20% on the achievement of ESG targets.

The financial performance condition is based on the achievement of underlying earnings per share targets at the end of the performance period. Where Underlying EPS is between prescribed targets, the extent to which the financial performance condition is satisfied will be calculated on a straight-line, pro-rata basis within a defined range.

2024 awards	Range 1	Range 2
• Underlying EPS (pence)	**37.0–43.0**	**43.0–46.0**
• Performance condition satisfied (%)	**10%–40%**	**40%–50%**

The performance target relating to TSR measures share price performance against a designated comparator group. Where TSR is between median and upper quartile, the TSR vesting percentage will be calculated on a straight-line, pro-rata basis between 6% and 24%, and where TSR is between upper quartile and upper decile, the TSR vesting percentage will be calculated on a straight-line, pro-rata basis between 24% and 30%.

The comparator group for awards granted for 2024 onwards is the companies comprised in the FTSE 100 Index at the start of the performance period, excluding financial services and extraction companies.

The performance targets relating to ESG are based on the achievement of targets relating to (i) a Protect the Planet condition, (ii) a Tech for Good condition, and (iii) two Diversity, Equity and Inclusion conditions.

The Protect the Planet condition will be measured by reference to the reduction in the Group's Scope 1, 2, and 3 carbon emissions during the performance period.

2024 awards	Range 1	Range 2
• Reduction in carbon emissions (%)	**8.1%–16.2%**	**16.2%–24.3%**
• Performance condition satisfied (%)	**1.5%–6%**	**6%–7.5%**

14 Equity continued
14.2 Share-based payments continued

The Tech for Good condition will be measured by reference to the Sage suites that have embedded functionality for carbon accounting at the end of the performance period.

2024 awards	Access to carbon accounting functionality through Sage Suites	Performance condition satisfied (%)
• Threshold 1	No suites	**0%**
• Threshold 2	Sage for Small Business suite	**1%**
• Threshold 3	Sage for Small Business suite and Sage for Accountants suite	**4%**
• Threshold 4	Sage for Small Business suite, Sage for Accountants suite, and Sage for Medium Business suite	**5%**

The Diversity, Equity and Inclusion conditions will be measured by reference to (i) the percentage of ethnically diverse colleagues in Senior Leadership Teams, and (ii) the percentage of leadership teams in the top four levels of Sage meeting the global gender diversity target, at the end of the performance period.

2024 awards	Range 1	Range 2
• Percentage of teams—ethnicity (%)	**13.0%–16.5%**	**16.5%–20.0%**
• Performance condition satisfied (%)	**0.75%–3%**	**3%–3.75%**
• Percentage of teams—gender (%)	**50%–65%**	**65%–80%**
• Performance condition satisfied (%)	**0.75%–3%**	**3%–3.75%**

Awards were valued using the Monte Carlo option pricing model. Performance conditions were included in the fair value calculations, which were based on observable market prices at grant date. All options granted under performance share awards have an exercise price of £nil. The fair value per award(s) granted and the assumptions used in the calculation are as follows:

Grant date	December 2023	February 2024	May 2024
Share price at grant date	**11.30**	**11.74**	**10.87**
Number of employees	**8**	**1**	**2**
Shares under award	**466,758**	**241,514**	**47,458**
Vesting period (years)	**3**	**3**	**3**
Expected volatility	**23.4%**	**23.0%**	**24.3%**
Award life (years)	**3**	**3**	**3**
Expected life (years)	**3**	**3**	**3**
Risk-free rate	**4.17%**	**3.72%**	**4.25%**
Fair value per award	**8.82**	**8.91**	**10.00**

Grant date	December 2022
Share price at grant date	8.02
Number of employees	9
Shares under award	857,978
Vesting period (years)	3
Expected volatility	28.4%
Award life (years)	3
Expected life (years)	3
Risk-free rate	3.29%
Fair value per award	6.55

The expected volatility is based on historical volatility over the last three years. The expected life is the average expected period to exercise. The risk-free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed award life.

14 Equity continued

14.2 Share-based payments continued

A reconciliation of award movements over the year is shown below:

	2024		2023	
	Number '000s	Weighted average exercise price £	Number '000s	Weighted average exercise price £
Outstanding at 1 October	**2,447**	**–**	3,055	–
Awarded	**756**	**–**	858	–
Forfeited	**(210)**	**–**	(536)	–
Exercised	**(151)**	**–**	(930)	–
Outstanding at 30 September	**2,842**	**–**	2,447	–
Exercisable at 30 September	**–**	**–**	–	–

	2024 Weighted average remaining life years		2023 Weighted average remaining life years	
Range of exercise prices	**Expected**	**Contractual**	Expected	Contractual
N/A	**0.9**	**0.9**	1.2	1.2

The Sage Group Restricted Share Plan

The Group's Restricted Share Plan is a long-term incentive plan issued to colleagues who contribute to Sage's strategic outcomes.

These contingent share awards are made primarily with service conditions. Executive Directors are not permitted to participate in the plan and shares are either purchased in the market or treasury shares are utilised to satisfy vesting awards. These awards primarily have service conditions and their fair values are equal to the share price on the date of grant. During the year 4,115,981 (2023: 6,553,637) awards were made, with fair values ranging from 11.06p to 11.49p.

A reconciliation of award movements over the year is shown below:

	2024		2023	
	Number '000s	Weighted average exercise price £	Number '000s	Weighted average exercise price £
Outstanding at 1 October	**18,634**	**–**	17,727	–
Awarded	**4,116**	**–**	6,554	–
Forfeited	**(1,372)**	**–**	(1,527)	–
Exercised	**(6,335)**	**–**	(4,120)	–
Outstanding at 30 September	**15,043**	**–**	18,634	–
Exercisable at 30 September	**–**	**–**	–	–

	2024 Weighted average remaining life years		2023 Weighted average remaining life years	
Range of exercise prices	**Expected**	**Contractual**	Expected	Contractual
N/A	**1.3**	**1.3**	1.6	1.6

14 Equity continued
14.2 Share-based payments continued
Other Plans

Other plans comprise The Sage Save and Share Plan (the "Save and Share Plan"), The Colleague Stock Purchase Plan (the "CSPP") and acquisition options. These are not considered to be material to the Group's overall share-based payment arrangements. The key aspects of the Group's share option arrangements are explained below.

The Save and Share Plan is a savings-related share option plan for employees of the Group and is available to employees in the majority of countries in which the Group operates. The UK plan is an HMRC-approved savings-related share option scheme, and similar arrangements apply in other countries where they are available. The fair value of the options is expensed over the service period of three years, with a forfeiture assumption included for any anticipated lapses as employees leave the Group.

During the year, 1,423,017 (2023: 1,579,315) options were granted under the terms of the Save and Share Plan.

The Colleague Stock Purchase Plan is an employee share purchase plan and is available to employees within the USA. The fair value of the options is expensed over the service period of six months, with a forfeiture assumption included for any anticipated lapses as employees leave the Group.

During the year, 197,730 (2023: nil) awards were granted under the terms of the CSPP.

As part of certain acquisitions, the Group awards certain employees with options proportional to previously held options in the company acquired. Nil (2023: nil) options have been granted in the year. During the year, £nil (2023: £nil) costs have been incurred to the income statement in respect of these acquisition options.

A reconciliation of historic acquisition award movements over the year is shown below:

	2024		2023	
	Number '000s	**Weighted average exercise price £**	Number '000s	Weighted average exercise price £
Outstanding at 1 October	**705**	**3.28**	963	3.45
Forfeited	**(42)**	**0.83**	(15)	3.20
Exercised	**(130)**	**2.66**	(243)	3.95
Outstanding at 30 September	**533**	**3.62**	705	3.28
Exercisable at 30 September	**533**	**3.62**	705	3.28

	2024		2023	
	Weighted average remaining life years		Weighted average remaining life years	
Range of exercise prices	**Expected**	**Contractual**	Expected	Contractual
72p–702p	**–**	**2.1**	–	3.0

14 Equity continued

14.3 Other reserves

All components of other reserves are presented on a consolidated basis on the face of the consolidated statement of changes in equity.

Other reserves can be analysed as follows:	**Translation reserve £m**	**Hedging reserve £m**	**Merger reserve £m**	**Total £m**
At 1 October 2023	**124**	**4**	**61**	**189**
Exchange differences on translating foreign operations and net investment hedges	**(101)**	**–**	**–**	**(101)**
At 30 September 2024	**23**	**4**	**61**	**88**

Other reserves can be analysed as follows:	Translation reserve £m	Hedging reserve £m	Merger reserve £m	Total £m
At 1 October 2022	206	–	61	267
Exchange differences on translating foreign operations and net investment hedges	(82)	–	–	(82)
Cash flow hedges	–	4	–	4
At 30 September 2023	124	4	61	189

This note further explains the nature and purpose of the translation, hedging and merger reserves.

Translation reserve

The translation reserve represents the accumulated exchange differences arising since the transition to IFRS from the following sources:

- The impact of the translation of subsidiaries with a functional currency other than sterling; and
- Exchange differences arising on hedging instruments that are designated hedges of a net investment in foreign operations, net of tax where applicable.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss.

Merger reserve

Merger reserve brought forward relates to the merger reserve which was present under UK GAAP and frozen on transition to IFRS.

14 Equity continued
14.4 Retained earnings

Retained earnings	Note	2024 £m	2023 £m
At 1 October		**658**	570
Profit for the year		**323**	211
Actuarial loss on post-employment benefit obligations, net of tax	10	**(2)**	–
Employee share option scheme-value of employee services including deferred tax		**62**	57
Proceeds from issuance of treasury shares		**9**	11
Cancellation of treasury shares		**1**	–
Share buyback programme		**(351)**	–
Purchase of shares by Employee Benefit Trust		**(55)**	(1)
Dividends paid to owners of the parent	14.5	**(199)**	(190)
At 30 September		**446**	658

Treasury shares
At 30 September 2024, the Group held 66,725,007 (2023: 73,906,470) treasury shares.

During the year, the Group agreed to satisfy the vesting of certain share awards, utilising a total of 7,181,463 (2023: 7,262,433) treasury shares.

On 22 November 2023, the Group entered into a non-discretionary share buyback programme to purchase up to £350m of its own shares. The programme completed in April 2024, for a total consideration of £345m plus expected associated taxes, corresponding to the £351m recognised through retained earnings at the balance sheet date, of which £348m was paid in the current year.

During the year, the Group repurchased a total of 29,289,778 ordinary shares as part of the programme, all of which were subsequently cancelled. The average price paid per ordinary share was £11.79.

Employee Benefit Trust
The Employee Benefit Trust (EBT) holds shares in the Company and was set up for the benefit of Group employees. The EBT purchases the Company's shares in the market or is gifted these by the Company for use in connection with the Group's share-based payments arrangements. Once purchased, shares are not sold back into the market. The EBT holds 8,473,802 ordinary shares in the Company (2023: 4,419,478) at a cost of £77m (2023: £34m) with £55m of shares purchased during the year (2023: £1m), funded by the Company, and a nominal value of £nil (2023: £nil).

During the year, the EBT utilised 1,381,398 shares it held to satisfy the vesting of certain share awards (2023: 258,505). The EBT did not receive additional funds for future purchase of shares in the market (2023: £nil).

The costs of funding and administering the EBT are charged to the profit and loss account of the Company in the period to which they relate. The market value of the shares of the Company held by the EBT at 30 September 2024 was £87m (2023: £44m).

14 Equity continued
14.5 Dividends

Accounting policy

Dividends are recognised through equity when approved by the Company's shareholders or on payment, whichever is earlier.

	2024 £m	2023 £m
Final dividend paid for the year ended 30 September 2023 of 12.75p per share	**129**	–
(2023: final dividend paid for the year ended 30 September 2022 of 12.10p per share)	**–**	123
Interim dividend paid for the year ended 30 September 2024 of 6.95p per share	**70**	–
(2023: interim dividend paid for the year ended 30 September 2023 of 6.55p per share)	**–**	67
	199	190

In addition, the Directors are proposing a final dividend in respect of the financial year ended 30 September 2024 of 13.50p per share, which will absorb an estimated £135m of shareholders' funds. The Company's distributable reserves are sufficient to support the payment of this dividend. If approved at the Annual General Meeting on 6 February 2025, it will be paid on 11 February 2025 to shareholders who are on the register of members on 10 January 2025. These financial statements do not reflect this proposed dividend payable.

15 Acquisitions and disposals

The following note outlines acquisitions and disposals during the year and the accompanying accounting policies. Each acquisition or disposal during the year is discussed and the effects on the results of the Group are highlighted. Additional disclosures are presented for disposals and planned disposals that qualify as businesses held for sale or for presentation as discontinued operations.

Accounting policy
Acquisitions

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability are recognised in the income statement. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's total identifiable net assets acquired. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the difference is recognised directly in the consolidated income statement. Any subsequent adjustment to reflect changes in consideration arising from contingent consideration amendments is recognised in the consolidated income statement.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Acquisition-related items such as legal or professional fees are expensed to the income statement as incurred.

Acquisitions of certain legal entities can be accounted for as an asset acquisition, rather than a business combination, when they satisfy the "concentration test" exemption under IFRS 3 "Business Combinations". This is often the case where the value of the acquired legal entity largely comprises a single asset or technology. Where this is applied, no goodwill is recognised as part of the acquisition accounting.

Businesses held for sale and discontinued operations

The Group classifies the assets and liabilities of a business as held for sale if their carrying amounts will be recovered principally through a sale of the business rather than through continuing use. These assets and liabilities are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for classification as held for sale are met only when the sale is highly probable and the business is available for immediate sale in its present condition. Actions required to complete the sale must indicate that it is unlikely that significant changes will be made to the plan or that the decision to sell will be withdrawn. Management must be committed to the sale and completion must be expected within one year from the date of the classification. Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the consolidated balance sheet.

A business qualifies as a discontinued operation if it is a component of the Group that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations; and
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations.

Discontinued operations are excluded from the results of continuing operations in both the current and prior years and are presented as a single amount in the consolidated income statement as profit or loss on discontinued operations.

15 Acquisitions and disposals continued

15.1 Acquisitions

Infineo

On 9 September 2024, the Group acquired a 100% controlling interest in Infineo SAS ("Infineo"). Infineo provides on-premises and cloud based financial reporting solutions for SME's data collection and creation of real-time dashboard and reports across financial reporting, HR and payroll functions. The acquisition of Infineo accelerates Sage's strategy for growth by broadening its value prioritisation for SMBs and demonstrating Sage's renewed commitment to the French market.

Summary of acquisition	Total £m
Acquisition-date fair value of consideration	34
Provisional fair value of identifiable net assets	(2)
Goodwill	**32**

In line with IFRS 3, the initial accounting for the acquisition of Infineo is provisional. The provisional fair value of identifiable net assets acquired comprises cash and cash equivalent of £4m and £2m of trade and other payables. The residual excess of consideration over the net assets acquired has been provisionally recognised as unallocated goodwill. No goodwill is expected to be deductible for tax purposes. Adjustments to provisional amounts will be made within the permitted measurement period where they reflect new information obtained about facts and circumstances that were in existence at the acquisition date. It is expected that the acquisition accounting will be finalised within 12 months. The results of the business are allocated to the Europe operating segment in line with the underlying operations.

The outflow of cash and cash equivalents on the acquisition is as follows:

	Total £m
Cash consideration	(34)
Cash and cash equivalents acquired	4
Net cash outflow	**(30)**

Transaction costs of £2m relating to the acquisition have been included in selling and administrative expenses, classified as other M&A activity-related items within recurring adjustments between underlying and statutory results. These costs relate to advisory, legal and other professional services. See note 3.6.

Arrangements have been put in place for retention payments to remunerate employees of Infineo for future services, classified as other M&A activity-related items. The total cost of these arrangements will be recognised in future periods over the retention period, contingent on employment.

The consolidated income statement includes revenue and loss after tax relating to Infineo for the period since the acquisition date, of which both are immaterial. On an underlying basis, revenue would have increased by £1m and profit after tax would have increased by £3m if Infineo had been acquired at the start of the financial year and included in the Group's results for the year ended 30 September 2024. On a statutory basis, revenue would have increased by £1m with no impact on the profit after tax, which includes £3m of other M&A activity-related items.

16 Related party transactions

This note provides information about transactions between the Group and its related parties. A group's related parties include any entities over which it has control, joint control, or significant influence, and any persons who are members of its key management personnel.

The Group's related parties are its subsidiary undertakings and its key management personnel, which comprises the Group's Executive Leadership Team members and the Non-executive Directors. Transactions and outstanding balances between the parent and its subsidiaries within the Group and between those subsidiaries have been eliminated on consolidation and are not disclosed in this note. Compensation paid to the Executive Leadership Team is disclosed in note 3.3.

No other related party transactions occurred during the current year or the prior year.

17 Events after the balance sheet date

On 29 October 2024, the Group acquired 100% equity capital and voting rights of Tritium Software, S.L ("Tritium Software"), a company based in Spain, for a total consideration of £32m. Tritium Software provides a cloud-native, mobile workforce management solution for field-based sales teams through its main product, ForceManager. Due to the timing of the acquisition being after 30 September 2024, the results of Tritium Software are not included in our financial statements for the year ended 30 September 2024 and the acquisition accounting has not yet been completed. In line with IFRS 3, the purchase price accounting for the acquisition will be finalised within 12 months of the acquisition date.

On 19 November 2024, The Sage Group plc approved a share buyback programme of its ordinary shares of up to £400m, which is expected to commence on 20 November 2024, and end no later than 3 June 2025.

18 Group undertakings

While we present consolidated results in these financial statements, our structure is such that there are a number of different operating and holding companies that contribute significantly to the overall result.

Our subsidiaries are located around the world and each contributes to the profits, assets, and cash flow of the Group.

The entities listed below and on the following pages are subsidiaries of the Company or the Group. The Group percentage of equity capital and voting rights is 100% for all subsidiaries listed below unless indicated otherwise. The results for all of the subsidiaries have been consolidated within these financial statements.

Country	Name	Registered Office address
Australia	Brightpearl Pty Limited	Suite 60 Level 2, 2 O'Connell Street, Parramatta NSW 2150, Australia
Australia	HAMY (Australia) Pty Limited (In Liquidation 11/03/2024)	C/o - Fincorp Accountants, Suite 7, 2-4 Northumberland Road, Caringbah NSW 2229, Australia
Australia	Ocrex Australia Pty. Limited	Level 17, 100 Barangaroo Avenue, Barangaroo NSW 2000, Australia
Australia	Sage Business Solutions Pty Ltd	Level 17, 100 Barangaroo Avenue, Barangaroo NSW 2000, Australia
Australia	Sage Intacct Australia Pty Limited	Level 17, 100 Barangaroo Avenue, Barangaroo NSW 2000, Australia
Australia	Snowdrop Systems Pty Ltd	Level 17, 100 Barangaroo Avenue, Barangaroo NSW 2000, Australia
Austria	Sage GmbH	Stella-Klein-Löw-Weg 15, AT-1020, Wien, Austria
Bahamas	Intelligent Apps Holdings Ltd	#2 Bayside Executive Park, West Bay Street & Blake Road, Nassau, N.P., The Bahamas, Bahamas
Belgium	Sage S.A.	Rue Picard, 7 boite 100, 1000 Bruxelles Belgique, Belgium
Botswana	Sage Software Botswana (Pty) Ltd[1]	Plot 50371, Fairground Office Park, Gaborone, Botswana
Canada	Sage Software Canada Ltd	111, 5th Avenue SW, Suite 3100-C, Calgary AB T2P 5L3, Canada
France	Sage Holding France SAS	10 Place de Belgique, 92250, La Garenne-Colombes, Paris, France
France	Sage Overseas Limited (Branch Registration)	10 Place de Belgique, 92250, Le Garenne Colombes, Paris, France
France	Sage SAS	10 Place de Belgique, 92250, La Garenne-Colombes, Paris, France
France	Infineo SAS	5 Rue de la Toscane, 44240, La Chapelle-sur-Edre, France
Germany	Best Software (Germany) GmbH	Franklinstraße 61-63 60486, Frankfurt am Main, Germany
Germany	eWare GmbH	Untere Weidenstr. 5, c/o RAè Becker & Koll., 81543, München, Germany
Germany	Sage bäurer GmbH	Josefstraße 10, 78166, Donaueschingen, Germany
Germany	Sage CRM Solutions GmbH	Franklinstraße 61-63, 60486, Frankfurt am Main, Germany
Germany	Sage GmbH	Franklinstraße 61-63 60486, Frankfurt am Main, Germany
Germany	Sage Management & Services GmbH	Franklinstraße 61-63 60486, Frankfurt am Main, Germany
Germany	Sage Services GmbH	Karl-Heine-Straße 109-111, 04229, Leipzig, Germany

18 Group undertakings continued

Country	Name	Registered Office address
India	Corecon Technologies India Private Limited	B-M.C.F-97/B, ARYA NAGAR MOHNA ROAD, BALLABGARH, FARIDABAD, Haryana, 121004, India
India	Intacct Software Private Limited[1]	No 501 & 502, Tower C, 5th Floor, The Millenia, No. 1 & 2, Murphy Road, Bangalore, Karnataka, 560 008, India
India	Lockstep Network India Pvt. Ltd.	1st and 2nd Flr Sky Loft, Creaticity Mall Opp Golf Course, Shastrinagar Yerwada, Pune, 411006, India
India	Sage Business Technology (India) Private Limited	The Atrium at Quark City, Zone -D, Second Floor, A-45, Industrial Focal Point, Phase VIII B, Mohali, 160059, India
India	Sage Software India Pvt Ltd (In Liquidation)	N-34, Lower Ground Floor, Kalkaji, New Delhi, 110 019, India
India	VV Finly Technology Pvt. Ltd.	#S-204, Wilson Court Apts, 6th Cross, 2nd Main, Wilson Garden, Bangalore, 560027, India
Ireland	Ocrex Limited	Number One, Central Park, Leopardstown, DUBLIN 18, Ireland
Ireland	Sage Global Services (Ireland) Limited	Number One, Central Park, Leopardstown, DUBLIN 18, Ireland
Ireland	Sage Hibernia Limited	Number One, Central Park, Leopardstown, DUBLIN 18, Ireland
Ireland	Sage Irish Finance Company Unlimited Company (In liquidation 8/12/2023)	Deloitte House, 29 Earlsfort Terrace, Dublin, Dublin 2 DO2 AY28
Ireland	Sage Technologies Limited	Number One, Central Park, Leopardstown, DUBLIN 18, Ireland
Ireland	Sage Treasury Ireland Unlimited Company	1 Central Park, Leopardstown, Dublin 18, Dublin, D18NH10, Ireland
Israel	Budgeta Technologies Ltd	144 Begin Menachem Rd, Tel Aviv, 6492102, Israel
Kenya	Sage Software East Africa Limited[1]	114 & 115, 1st Floor, Nivina Towers, LR NO. 1870/IX/96, Westlands Road, Nairobi, Kenya
Latvia	CakeHR SIA	Brivibas iela 40-27, Riga, LV-1050, Latvia
Malaysia	Sage Malaysia Business Solutions Sdn. Bhd.	Level 11, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, 50470 Kuala Lumpur, Malaysia
Morocco	Sage Software SARL	Tour Crystal 1, Niveau 9, Bd Sidi Mohamed Ben Abdellah, Casablanca, 20030, Morocco
Namibia	Sage Software Namibia (Pty) Ltd	344 Independence Avenue, Windhoek, P O BOX 1571, Namibia
Nigeria	Sage Software Nigeria Limited[1]	Landmark Towers, 5B Water Corporation Road, Victoria Island, Lagos, Nigeria
Poland	Sage Software Poland sp. z o.o.	ul. Towarowa 28, 00-839, Warsaw, Poland
Portugal	Sage Portugal – Software, S.A.	Edifício Olympus II, Av. Dom Afonso Henriques 1462, 4450-013, Matosinhos, Portugal
Romania	Intacct Development Romania SRl	Bulevardul 21 DECEMBRIE 1989, Nr. 77, camera C.1.2, clădirea C-D, The Office, Etaj 1, Cluj-Napoca, Judet Cluj, Romania
Singapore	Sage Singapore Pte. Ltd.	7 Straits View # 12-00, Marina One East Tower, Singapore, 018936, Singapore
South Africa	Sage Alchemex (Pty) Ltd	23A Flanders Drive, Mount Edgecombe, Durban, 4321, South Africa
South Africa	Sage South Africa (Pty) Ltd*	Floor 6 Gateway West, 22 Magwa Crescent, Waterfall 5-1R, Midrand, Gauteng, 2066, South Africa
Spain	Sage Spain Holdco S.L.U	Moraleja Building One – Planta 1, Parque Empresarial de La Loraleja, Avenida de Europa no19, 28108 Alcobendas, Madrid, Spain
Spain	Sage Spain SL[1]	Moraleja Building One – Planta 1, Parque Empresarial de La Moraleja, Avenida de Europa no19, 28108 Alcobendas, Madrid, Spain
Switzerland	Sage Bäurer AG	c/o Legalis Consulting GmbH, Suurstoffi 29, 6343, Rotkreuz, Switzerland
United Arab Emirates	Sage Software Middle East FZ-LLC	Premises: 116-120, Floor: 01, Building: 11, Dubai, United Arab Emirates
United Kingdom	Brightpearl Limited	C23 - 5 & 6 Cobalt Park Way, Cobalt Park, Newcastle upon Tyne, NE28 9EJ, United Kingdom
United Kingdom	FUTRLI LTD (In Liquidation 14/03/2024)	C23 - 5 & 6 Cobalt Park Way, Cobalt Park, Newcastle upon Tyne, NE28 9EJ, United Kingdom

18 Group undertakings continued

Country	Name	Registered Office address
United Kingdom	HR Bakery Ltd	C23 - 5 & 6 Cobalt Park Way, Cobalt Park, Newcastle upon Tyne, NE28 9EJ, United Kingdom
United Kingdom	Interact UK Holdings Limited*	C23 - 5 & 6 Cobalt Park Way, Cobalt Park, Newcastle upon Tyne, NE28 9EJ, United Kingdom
United Kingdom	Ocrex UK Ltd	C23 - 5 & 6 Cobalt Park Way, Cobalt Park, Newcastle upon Tyne, NE28 9EJ, United Kingdom
United Kingdom	Sage (UK) Ltd	C23 - 5 & 6 Cobalt Park Way, Cobalt Park, Newcastle upon Tyne, NE28 9EJ, United Kingdom
United Kingdom	Sage Euro Hedgeco 1	C23 - 5 & 6 Cobalt Park Way, Cobalt Park, Newcastle upon Tyne, NE28 9EJ, United Kingdom
United Kingdom	Sage Euro Hedgeco 2	C23 - 5 & 6 Cobalt Park Way, Cobalt Park, Newcastle upon Tyne, NE28 9EJ, United Kingdom
United Kingdom	Sage Far East Investments Limited	C23 - 5 & 6 Cobalt Park Way, Cobalt Park, Newcastle upon Tyne, NE28 9EJ, United Kingdom
United Kingdom	Sage Global Services Limited	C23 - 5 & 6 Cobalt Park Way, Cobalt Park, Newcastle upon Tyne, NE28 9EJ, United Kingdom
United Kingdom	Sage Hibernia Investments No. 1 Limited (In Liquidation 14/06/2023)	3 Field Court, Gray's Inn, London, WC1R 5EF, United Kingdom
United Kingdom	Sage Hibernia Investments No. 2 Limited (In Liquidation 14/06/2023)	3 Field Court, Gray's Inn, London, WC1R 5EF, United Kingdom
United Kingdom	Sage Holding Company Limited*	C23 – 5 & 6 Cobalt Park Way, Cobalt Park, Newcastle upon Tyne, NE28 9EJ, United Kingdom
United Kingdom	Sage Holdings Limited	C23 – 5 & 6 Cobalt Park Way, Cobalt Park, Newcastle upon Tyne, NE28 9EJ, United Kingdom
United Kingdom	Sage Irish Investments LLP (In Liquidation 15/12/2023)	3 Field Court, Gray's Inn, London, WC1R 5EF, United Kingdom
United Kingdom	Sage Irish Investments One Limited (In liquidation 15/12/2023)*	3 Field Court, Gray's Inn, London, WC1R 5EF, United Kingdom
United Kingdom	Sage Irish Investments Two Limited (In Liquidation 15/12/2023)*	3 Field Court, Gray's Inn, London, WC1R 5EF, United Kingdom
United Kingdom	Sage Online Holdings Limited	C23 – 5 & 6 Cobalt Park Way, Cobalt Park, Newcastle upon Tyne, NE28 9EJ, United Kingdom
United Kingdom	Sage Overseas Limited	C23 – 5 & 6 Cobalt Park Way, Cobalt Park, Newcastle upon Tyne, NE28 9EJ, United Kingdom
United Kingdom	Sage People Limited	C23 – 5 & 6 Cobalt Park Way, Cobalt Park, Newcastle upon Tyne, NE28 9EJ, United Kingdom
United Kingdom	Sage Treasury Company Limited*	C23 – 5 & 6 Cobalt Park Way, Cobalt Park, Newcastle upon Tyne, NE28 9EJ, United Kingdom
United Kingdom	Sage US LLP	C23 – 5 & 6 Cobalt Park Way, Cobalt Park, Newcastle upon Tyne, NE28 9EJ, United Kingdom
United Kingdom	Sage USD Hedgeco 1	C23 – 5 & 6 Cobalt Park Way, Cobalt Park, Newcastle upon Tyne, NE28 9EJ, United Kingdom
United Kingdom	Sage USD Hedgeco 2	C23 – 5 & 6 Cobalt Park Way, Cobalt Park, Newcastle upon Tyne, NE28 9EJ, United Kingdom
United Kingdom	Sage Whitley Limited	C23 – 5 & 6 Cobalt Park Way, Cobalt Park, Newcastle upon Tyne, NE28 9EJ, United Kingdom
United Kingdom	Sagesoft	C23 – 5 & 6 Cobalt Park Way, Cobalt Park, Newcastle upon Tyne, NE28 9EJ, United Kingdom
United Kingdom	Snowdrop Systems Limited	C23 – 5 & 6 Cobalt Park Way, Cobalt Park, Newcastle upon Tyne, NE28 9EJ, United Kingdom
United Kingdom	Spherics Technology Ltd (In Liquidation 13/03/2024)	C23 – 5 & 6 Cobalt Park Way, Cobalt Park, Newcastle upon Tyne, NE28 9EJ, United Kingdom

18 Group undertakings continued

Country	Name	Registered Office address
United States	Anvyl, Inc.	Brandywine Plaza, 1521 Concord Pike, Suite 201, Wilmington, New Castle County, DE 19803, United States
United States	Brightpearl, Inc.	Brandywine Plaza, 1521 Concord Pike, Suite 201, Wilmington, New Castle County, DE 19803, United States
United States	Ocrex, Inc.	Brandywine Plaza, 1521 Concord Pike, Suite 201, Wilmington, New Castle County, DE 19803, United States
United States	Sage Budgeta, Inc.	Brandywine Plaza, 1521 Concord Pike, Suite 201, Wilmington, New Castle County, DE 19803, United States
United States	Sage Global Services US, Inc	Brandywine Plaza, 1521 Concord Pike, Suite 201, Wilmington, New Castle County, DE 19803, United States
United States	Sage Intacct, Inc.	Brandywine Plaza, 1521 Concord Pike, Suite 201, Wilmington, New Castle County, DE 19803, United States
United States	Sage People, Inc.	Brandywine Plaza, 1521 Concord Pike, Suite 201, Wilmington, New Castle County, DE 19803, United States
United States	Sage Software Holdings, Inc.	Brandywine Plaza, 1521 Concord Pike, Suite 201, Wilmington, New Castle County, DE 19803, United States
United States	Sage Software International, Inc.	425 West Washington Street #4, Suffolk, Suffolk (Independent City), VA 23434, United States
United States	Sage Software North America	Brandywine Plaza, 1521 Concord Pike, Suite 201, Wilmington, New Castle County, DE 19803, United States
United States	Sage Software, Inc.	425 West Washington Street #4, Suffolk, Suffolk (Independent City), VA 23434, United States
United States	Sage Tempus, Inc.	Brandywine Plaza, 1521 Concord Pike, Suite 201, Wilmington, New Castle County, DE 19803, United States
United States	Softline Holdings USA, Inc.	Brandywine Plaza, 1521 Concord Pike, Suite 201, Wilmington, New Castle County, DE 19803, United States
United States	Softline Software USA, LLC	Brandywine Plaza, 1521 Concord Pike, Suite 201, Wilmington, New Castle County, DE 19803, United States
United States	Softline Software, Inc.	Brandywine Plaza, 1521 Concord Pike, Suite 201, Wilmington, New Castle County, DE 19803, United States
United States	South Acquisition Corp.	Brandywine Plaza, 1521 Concord Pike, Suite 201, Wilmington, New Castle County, DE 19803, United States

Notes:

* Direct subsidiary.

1 Group holding in the subsidiary is ≥99% and <100%.

Company financial statements

	Pages
Company financial statements	

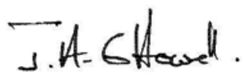
Notes to the Company financial statements

Company balance sheet
At 30 September 2024

	Note	2024 £m	2023 £m
Non-current assets			
Investments	2	**3,088**	3,088
Debtors	4	**417**	433
Deferred tax assets		**2**	3
		3,507	3,524
Current assets			
Cash at bank and in hand	3	**21**	1
Debtors	4	**1,229**	1,726
		1,250	1,727
Current liabilities			
Trade and other creditors	5	**(35)**	(31)
Non-current liabilities			
Borrowings	6	**(1,157)**	(1,173)
Net assets		**3,565**	4,047
Capital and reserves			
Called up share capital	8.1	**11**	12
Share premium account		**548**	548
Other reserves	8.2	**(807)**	(452)
Profit and loss account		**3,813**	3,939
Total shareholders' funds		**3,565**	4,047

The Company's profit for the year was £58m (2023: £71m).

The financial statements on pages 254 to 260 were approved by the Board of Directors on 19 November 2024 and are signed on its behalf by:



Jonathan Howell
Chief Financial Officer

Company's registered number 02231246

Company statement of changes in equity

	Attributable to owners of the parent				
	Called up share capital £m	**Share premium £m**	**Other reserves £m**	**Profit and loss account £m**	**Total equity £m**
At 1 October 2023	**12**	**548**	**(452)**	**3,939**	**4,047**
Profit for the year	**–**	**–**	**–**	**58**	**58**
Total comprehensive income for the year ended 30 September 2024	**–**	**–**	**–**	**58**	**58**
Transactions with owners:					
Employee share option scheme—value of employee services	**–**	**–**	**–**	**56**	**56**
Utilisation of treasury shares	**–**	**–**	**50**	**(50)**	**-**
Proceeds from issuance of treasury shares	**–**	**–**	**–**	**9**	**9**
Purchase of shares by Employee Benefit Trust	**–**	**–**	**(55)**	**–**	**(55)**
Cancellation of ordinary shares	**(1)**	**–**	**1**	**–**	**–**
Share buyback programme	**–**	**–**	**(351)**	**–**	**(351)**
Dividends paid to owners of the parent	**–**	**–**	**–**	**(199)**	**(199)**
Total transactions with owners for the year ended 30 September 2024	**(1)**	**–**	**(355)**	**(184)**	**(540)**
At 30 September 2024	**11**	**548**	**(807)**	**3,813**	**3,565**

	Attributable to owners of the parent				
	Called up share capital £m	Share premium £m	Other reserves £m	Profit and loss account £m	Total equity £m
At 1 October 2022	12	548	(502)	4,048	4,106
Profit for the year	–	–	–	71	71
Total comprehensive income for the year ended 30 September 2023	–	–	–	71	71
Transactions with owners:					
Employee share option scheme—value of employee services	–	–	–	50	50
Utilisation of treasury shares	–	–	51	(51)	–
Proceeds from issuance of treasury shares	–	–	–	11	11
Purchase of shares by Employee Benefit Trust	–	–	(1)	–	(1)
Dividends paid to owners of the parent	–	–	–	(190)	(190)
Total transactions with owners for the year ended 30 September 2023	–	–	50	(180)	(130)
At 30 September 2023	12	548	(452)	3,939	4,047

Company accounting policies

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 (FRS 102) "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Basis of accounting

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006. The going concern basis is set out in note 1 of the Group consolidated financial statements. A summary of the more important Company accounting policies, which have been consistently applied, is set out below. These accounting policies have been consistently applied to all periods presented.

The Company is deemed a qualifying entity under FRS 102, and so may take advantage of the reduced disclosures permitted under the standard. As a result, the following disclosures have not been provided:

- A statement of cash flows and related disclosures under Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d);
- Disclosures about financial instruments under Section 11 Basic Financial Instruments and Section 12 Other Financial Instruments Issues paragraphs 12.26 (in relation to those cross-referenced paragraphs from which a disclosure exemption is available), 12.27, 12.29(a), 12.29(b), and 12.29A; this exemption is permitted as equivalent disclosures are included in the consolidated financial statements of The Sage Group plc.;
- Disclosures about share-based payments under Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23; this exemption is permitted as the Company is an ultimate parent, the share-based payment arrangements concern its own equity instruments, its separate financial statements are presented alongside the consolidated financial statements of The Sage Group plc. and equivalent disclosures are included in those consolidated financial statements; and
- Key management personnel compensation in total under Section 33 Related Party Disclosures paragraph 33.7.

Foreign currencies

The Sage Group plc. (a public company limited by share) is a UK registered company with both a functional and presentational currency of sterling. Monetary assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange prevailing at the balance sheet date. Transactions in foreign currencies are converted into sterling at the rate prevailing at the dates of the transactions. All differences on exchange are taken to the profit and loss account.

Investments

Fixed asset investments are stated at cost less provision for any diminution in value. Any impairment is charged to the profit and loss account as it arises.

Parent Company profit and loss account

No profit and loss account is presented for the Company as permitted by section 408 of the Companies Act 2006.

Details of the average number of people employed by the Parent Company and the staff costs incurred by the Company are as follows:

Average monthly number of people employed (including Directors)	**2024 number**	2023 number
By segment:		
UKIA	**14**	14

Staff costs (including Directors on service contracts)	**2024 £m**	2023 £m
Wages and salaries	**5**	5
Social security costs	**2**	1
	7	6

Staff costs are net of recharges to other Group companies.

Auditor's remuneration
The audit fees payable in relation to the audit of the financial statements of the Company are £50,600 (2023: £46,000).

Directors' remuneration
Details of the remuneration of Executive and Non-executive Directors and their interest in shares and options of the Company are given in the audited part of the Directors' Remuneration Report on pages 116 to 155.

Share-based payments
The Company issues equity-settled share-based payments to certain employees and employees of its subsidiaries. Equity-settled share-based payments granted to employees of the Company are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of the shares that will eventually vest allowing for the effect of non market-based vesting conditions.

Fair value is measured using the Black-Scholes or the Monte Carlo pricing models. The expected life used in the model has been adjusted based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Company also provides certain employees and employees of its subsidiaries with the ability to purchase the Company's ordinary shares at a discount to the current market value at the date of the grant. For awards made to its own employees, the Company records an expense, based on its estimate of the discount related to shares expected to vest, on a straight-line basis over the vesting period.

At the end of each reporting period, the entity revises its estimates for the number of options expected to vest. It recognises the impact of the revision to original estimates, if any, in the profit and loss account, with a corresponding adjustment to equity.

For awards made to subsidiary employees, the fair value of awards made is recognised by the Company through the profit and loss account. Intergroup recharges to the employing subsidiary, up to the fair value of awards made to employees of that subsidiary, subsequently reverse the decrease to the profit and loss account.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Financial instruments
The Company only enters into basic financial instrument transactions that result in the recognition of basic financial assets and liabilities, including trade and other receivables and payables and loans to and from related parties. These transactions are initially recorded at transaction price, unless the arrangement constitutes a financing transaction where the transaction is measured at the present value of the future receipt discounted at a market rate of interest, and subsequently recognised at amortised cost.

Financial assets
At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in comprehensive income or expense.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities
Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expired.

Dividends
Dividends are recognised through equity when approved by the Company's shareholders or on payment, whichever is earlier.

Employee Benefit Trust
The Company's Employee Benefit Trust is considered an extension of the Company and therefore forms part of these financial statements.

Notes to the Company financial statements

1 Dividends

	2024 £m	2023 £m
Final dividend paid for the year ended 30 September 2023 of 12.75p per share	**129**	–
(2023: final dividend paid for the year ended 30 September 2022 of 12.10p per share)	**–**	123
Interim dividend paid for the year ended 30 September 2024 of 6.95p per share	**70**	–
(2023: interim dividend paid for the year ended 30 September 2023 of 6.55p per share)	**–**	67
	199	190

In addition, the Directors are proposing a final dividend in respect of the financial year ended 30 September 2024 of 13.50p per share, which will absorb an estimated £135m of shareholders' funds. The Company's distributable reserves are sufficient to support the payment of this dividend. If approved at the Annual General Meeting on 6 February 2025, it will be paid on 11 February 2025 to shareholders who are on the register of members on 10 January 2025. These financial statements do not reflect this proposed dividend payable.

2 Fixed assets: investments

Equity interests in subsidiary undertakings are as follows:

	2024 £m	2023 £m
Cost*	**3,097**	3,097
Provision for diminution in value*	**(9)**	(9)
Net book value	**3,088**	3,088

*Based on a review of investments, it was identified that certain fully impaired investments have been dissolved in previous reporting periods. The comparative figures for cost and provision for diminution in value have been restated, giving a reduction of £127m to both, with no impact on net book value.

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

Subsidiary undertakings, included in the Group financial statements for the year ended 30 September 2024, are shown in note 18 of the Group financial statements. All of these subsidiary undertakings are wholly-owned, unless otherwise indicated in note 18 of the Group financial statements. All subsidiaries are engaged in the development, distribution, and support of business management software and related products and services for small and medium-sized businesses.

All operating subsidiaries' results are included in the Group financial statements. The accounting reference date of all subsidiaries is 30 September.

3 Cash at bank and in hand

	2024 £m	2023 £m
Cash at bank and in hand	**21**	1

4 Debtors

	2024 £m	2023 £m
Amounts owed by Group undertakings	**1,646**	2,159

Of amounts owed by Group undertakings £417m (2023: £433m) is due greater than one year. Amounts owed by group undertakings are unsecured and attract a rate of interest of 0% and SONIA plus 1.6% (2023: 0.0% and SONIA plus 1.6%).

5 Trade and other creditors

	2024 £m	2023 £m
Accruals	**35**	31

6 Borrowings

	2024 £m	2023 £m
Sterling denominated bond notes	**743**	742
Euro denominated bond notes	**414**	431
	1,157	1,173

In the prior year, bond notes were issued in February 2023 for a nominal amount of EUR 500m and expire in February 2028. Net cash proceeds from the issuance were EUR 498m (£442m). For further information, see note 12.4 of the Group consolidated financial statements.

7 Obligations under operating leases

	2024	2023
Total future minimum lease payments under non-cancellable operating leases falling due for payment as follows:	**Property, vehicles, plant and equipment £m**	Property, vehicles, plant and equipment £m
Within one year	**4**	3
Later than one year and less than five years	**12**	12
After five years	**9**	11
	25	26

The Company leases various offices under non-cancellable operating lease agreements. These leases have various terms, escalation clauses, and renewal rights.

8 Equity

8.1 Called up share capital

Issued and fully paid ordinary shares of 1 4/77 pence each	2024 shares	2024 £m	2023 shares	2023 £m
At 1 October	**1,100,789,295**	**12**	1,100,789,295	12
Cancellation of shares	**(29,289,778)**	**(1)**	–	–
At 30 September	**1,071,499,517**	**11**	1,100,789,295	12

See note 14.1 of the Group consolidated financial statements.

8.2 Other reserves

	Treasury shares £m	Merger reserve £m	Capital redemption reserve £m	Total other reserves £m
At 1 October 2023	**(515)**	**61**	**2**	**(452)**
Utilisation of treasury shares	**50**	**–**	**–**	**50**
Cancellation of ordinary shares	**–**	**–**	**1**	**1**
Share buyback programme	**(351)**	**–**	**–**	**(351)**
Purchase of shares by Employee Benefit Trust	**(55)**	**–**	**–**	**(55)**
At 30 September 2024	**(871)**	**61**	**3**	**(807)**

	Treasury shares £m	Merger reserve £m	Capital redemption reserve £m	Total other reserves £m
At 1 October 2022	(565)	61	2	(502)
Utilisation of treasury shares	51	–	–	51
Purchase of shares by Employee Benefit Trust	(1)	–	–	(1)
At 30 September 2023	(515)	61	2	(452)

Treasury shares

Purchase of treasury shares

At 30 September 2024, the Company held 66,725,007 (2023: 73,906,470) treasury shares.

During the year, the Company agreed to satisfy the vesting of certain share awards, utilising a total of 7,181,463 (2023: 7,262,433) treasury shares.

Shares purchased under the Company's buyback programme are either cancelled or are retained in treasury and reissued in the future. Where the shares are retained as treasury shares, they represent a deduction from equity attributable to owners of the parent.

On 22 November 2023, the Company entered into a non-discretionary share buyback programme to purchase up to £350m of its own shares. The programme completed in April 2024, for a total consideration of £345m, plus expected associated taxes, corresponding to the £351m recognised through retained earnings at the balance sheet date, of which £348m was paid in the current year.

During the year, the Company repurchased a total of 29,289,778 ordinary shares as part of the programme, all of which were subsequently cancelled. The average price paid per ordinary share was £11.79.

Employee Benefit Trust

The Employee Benefit Trust (EBT) holds shares in the Company and was set up for the benefit of Group employees. The EBT purchases the Company's shares in the market or is gifted these by the Company for use in connection with the Group's share-based payments arrangements. Once purchased, shares are not sold back into the market. The EBT holds 8,473,802 ordinary shares in the Company (2023: 4,419,478) at a cost of £77m (2023: £34m) with £55m of shares purchased during the year (2023: £1m), funded by the Company, and a nominal value of £nil (2023: £nil).

During the year, the EBT utilised 1,381,398 shares it held to satisfy the vesting of certain share awards (2023: 258,505). The EBT did not receive additional funds for future purchase of shares in the market (2023: £nil).

The costs of funding and administering the EBT are charged to the profit and loss account of the Company in the period to which they relate. The market value of the shares of the Company held by the EBT at 30 September 2024 was £87m (2023: £34m).

Glossary

Alternative Performance Measures

Alternative Performance Measures are used by the Group to understand and manage performance. These are not defined under International Financial Reporting Standards (IFRS) or UK-adopted International Accounting Standards (UK-IFRS) and are not intended to be a substitute for any IFRS or UK-IFRS measures of performance but have been included as management considers them to be important measures, alongside the comparable GAAP financial measures, in assessing underlying performance. Wherever appropriate and practical, we provide reconciliations to relevant GAAP measures. The table below sets out the basis of calculation of the Alternative Performance Measures and the rationale for their use.

Measure	Description	Rationale
Underlying (revenue and profit) measures	Underlying measures are adjusted to exclude items which in management's judgement need to be disclosed separately by virtue of their size, nature or frequency to aid understanding of the performance for the year or comparability between periods: • Recurring items include purchase price adjustments including amortisation of acquired intangible assets and adjustments made to reduce deferred income arising on acquisitions, acquisition-related items, and unhedged FX on intercompany balances; and • Non-recurring items that management judge to be one-off or non-operational such as gains and losses on the disposal of assets, impairment charges and reversals, and restructuring related costs. Recurring items are adjusted each period irrespective of materiality to ensure consistent treatment. Underlying basic EPS is also adjusted for the tax impact of recurring and non-recurring items. All prior period underlying measures (revenue and profit) are retranslated at the current year exchange rates to neutralise the effect of currency fluctuations.	Underlying measures allow management and investors to compare performance without the effects of foreign exchange movements or recurring or non-recurring items. By including part-period contributions from acquisitions, discontinued operations, disposals and assets held for sale of standalone businesses in the current and/or prior periods, the impact of M&A decisions on earnings per share growth can be evaluated.
Organic (revenue and profit) measures	In addition to the adjustments made for Underlying measures, Organic measures: • Exclude the contribution from discontinued operations, disposals and assets held for sale of standalone businesses in the current and prior period; and • Exclude the contribution from acquired businesses until the year following the year of acquisition; and Adjust the comparative period to present prior period acquired businesses as if they had been part of the Group throughout the prior period. Acquisitions and disposals where the revenue and contribution impact would be immaterial are not adjusted.	Organic measures allow management and investors to understand the like-for-like revenue and current period margin performance of the continuing business.
Underlying Cash Flow from Operations	Underlying Cash Flow from Operations is Underlying Operating Profit adjusted for non-cash items, net capital expenditure (excluding business combinations and similar items) and changes in working capital.	To show the cash flow generated by the operations and calculate underlying cash conversion.

Measure	Description	Rationale
Underlying Cash Conversion	Underlying Cash Flow from Operations divided by Underlying (as reported) Operating Profit.	Cash conversion informs management and investors about the cash operating cycle of the business and how efficiently operating profit is converted into cash.
EBITDA	EBITDA is Underlying Operating Profit excluding underlying depreciation, amortisation and share based payments. Underlying depreciation and amortisation is the statutory equivalent measure, adjusted for the amortisation of acquired intangibles. Underlying share based payments is the statutory equivalent measure, adjusted for M&A-related share based payment charges included within other M&A activity related items.	To calculate the Net Debt to EBITDA leverage ratio and to show profitability before the impact of major non-cash charges.
Annualised recurring revenue	Annualised recurring revenue ("ARR") is the normalised recurring revenue in the last month of the reporting period, adjusted consistently period to period, multiplied by twelve. Adjustments to normalise reported recurring revenue involve adjusting for certain components (such as non-refundable contract sign-up fees) to ensure the measure reflects that part of the revenue base which (subject to ongoing use and renewal) can reasonably be expected to repeat in future periods.	ARR represents the annualised value of the recurring revenue base that is expected to be carried into future periods, and its growth is a forward- looking indicator of reporting recurring revenue growth.
Renewal Rate by Value	The ARR from renewals, migrations, upsell and cross-sell of active customers at the start of the year, divided by the opening ARR for the year.	As an indicator of our ability to retain and generate additional revenue from our existing customer base through up and cross sell.
Free Cash Flow	Free Cash Flow is Underlying Cash Flow from Operations minus net interest paid, derivative financial instruments and income tax paid, and adjusted for non-recurring cash items (which excludes net proceeds on disposals of subsidiaries) and profit and loss foreign exchange movements.	To measure the cash generated by the operating activities during the period that is available to repay debt, undertake acquisitions or distribute to shareholders.
% Subscription Penetration	Underlying software subscription revenue as a percentage of underlying total revenue.	To measure the progress of migrating our customer base from licence and maintenance to a subscription relationship.
% Sage Business Cloud Penetration	Underlying recurring revenue from the Sage Business Cloud as a percentage of the underlying recurring revenue of the Future Sage Business Cloud Opportunity.	To measure the progress in the migration of our revenue base to the Sage Business Cloud by connecting our solutions to the cloud and/or migrating our customers to cloud connected and cloud native solutions.
Return on Capital Employed (ROCE)	ROCE is calculated as underlying operating profit, minus amortisation of acquired intangibles, the result being divided by capital employed, which is the average (of the opening and closing balance for the period) total net assets excluding net debt, derivative financial instruments, provisions for non-recurring costs, financial liability for purchase of own shares and tax assets or liabilities.	As an indicator of the current period financial return on the capital invested in the company. ROCE is used as an underpin in the FY21, FY22 and FY23 PSP awards.
Net debt	Net debt is cash and cash equivalents less current and non-current borrowings.	To calculate the Net Debt to EBITDA leverage ratio and an indicator of our indebtedness.

AGM
Annual General Meeting

AI
Artificial Intelligence

API
Application Program Interface

CAGR
Compound Annual Growth Rate

CDP
Carbon Disclosure Project

CEO
Chief Executive Officer

CFO
Chief Financial Officer

CGU
Cash Generating Unit

CRM
Customer Relationship Management

DTR
Disclosure Guidance and Transparency Rules

EBITDA
Earnings Before Interest Taxes Depreciation and Amortisation

ED
Executive Director

ELT
Executive Leadership Team

EPS
Earnings Per Share

ERP
Enterprise Resource Planning

EU
European Union

FCF
Free Cash Flow

FY20
Financial year ending 30 September 2020

FY21
Financial year ending 30 September 2021

FY22
Financial year ending 30 September 2022

FY23
Financial year ending 30 September 2023

FY24
Financial year ending 30 September 2024

GHG
Greenhouse Gas

HCM
Human Capital Management

HR
Human Resources

IFRS
International Financial Reporting Standards

ISV
Independent Software Vendor

KPI
Key Performance Indicator

LSE
London Stock Exchange

LTIP
Long Term Incentive Plan

ML
Machine Learning

NED
Non-Executive Director

NPS
Net Promoter Score

PBT
Profit Before Tax

PSP
Performance Share Plan

R&D
Research and Development

SBC
Sage Business Cloud

SaaS
Software as a Service

SSRS
Software & Software Related Services

TSR
Total Shareholder Return

Shareholder information

Financial calendar[1]

Annual General Meeting	6 February 2025
Dividend payments[2]	
FY24 Final payable	11 February 2025
H1 FY25 Interim payable	27 June 2025
Results announcements	
Q1 FY25 Trading update	30 January 2025
H1 FY25 Interim results	15 May 2025
Q3 FY25 Trading update	30 July 2025
FY25 Full-Year results	19 November 2025

Note:
1. Please note that these dates are provisional and subject to change. Please access our financial calendar on www.sage.com, which is updated regularly.
2. All dividend payments are subject to Board and, in the case of the final dividend, shareholders' approval.

Shareholder and investor information online

More information about our business, products, investors, media, sustainability, and careers at Sage can be found at our corporate website at www.sage.com

A dedicated investor information page can be found at www.sage.com/investors

Enquiries can be directed to our Investor Relations department via our website.

Electronic shareholder information

Equiniti, the registrar of The Sage Group plc., is able to notify shareholders by email of the availability of shareholder information online. Whenever new shareholder information becomes available, such as Sage's full-year results, those shareholders opted in to the scheme will receive an email notification from Equiniti, enabling them to access, read and print documents at their convenience.

To take advantage of this service, shareholders should go to www.shareview.co.uk, where full details of the shareholder portfolio services are provided. When registering for this service, shareholders will need to have their 11-character Shareholder Reference Number to hand, which is shown on the dividend tax voucher, share certificate or Form of Proxy.

Should shareholders decide at a later date that they do not want to receive these emails, they may amend their request by accessing the Shareview Portfolio online and amending their preferred method of communication.

Annual General Meeting

We consider the Annual General Meeting (AGM) to be an important event in our calendar and a significant opportunity to engage with our shareholders. The 2025 AGM will be held on 6 February 2025. Further details will be set out in the Notice of AGM that accompanies this report and on our website at www.sage.com.

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